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**Public sector labour relations in four European countries
compared: Long-term convergence and short-term divergences?**

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Abstract

This paper focuses on the impact of the 2007/2008 financial and economic crisis on the public sector and its labour relations in Spain, the UK, Sweden and Germany. The analysis of the contextual background - general and societal economic developments as well as industrial relations - in which such transformations happened embeds the comparison of the four country case studies. Our findings show that the crisis and austerity policies furthered some short-term divergent developments of the public sectors in the countries considered but long-term convergence can be also expected. Some theoretical conclusions from these mixed developments in the aftermath of the crisis are drawn.

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1. Introduction

In many EU member states, the public sector was hit hard by austerity measures during and after the 2007/2008 global financial and economic crisis. Governments aiming at stabilizing the financial markets, curbing the repercussions of the crisis and fiscal consolidation, largely reduced the size and scope of their public sectors. Cutbacks in employment brought about by hiring freezes, non-renewal of contracts for temporary workers, restructuring of administrative units, and the continuation of privatization processes as well as pay cuts and pay freezes, increasing the retirement age and flexibilization of labour deployment (European Commission, 2013) are facets of an overall deterioration of public sector working conditions and eventually of services to the public and the welfare system.

Public sector employees, pensioners and welfare benefit recipients are “most severely and adversely affected” by austerity packages (Theodoropoulou and Watt, 2011: 5), and entire societies in the crisis-ridden countries are experiencing painful effects of the reforms the troika of European Central Bank, International Monetary Fund (IMF) and the European Commission required their governments to take in exchange for rescue loans. The unpopular strategy of retrenchment with its still unforeseen long-term consequences is accompanied by a quite powerful discourse depicting austerity as the necessary, albeit bitter, remedy to cure indebted states. Whether or not the “alchemy of austerity” will work out and turn “disaster into triumph – the triumph being a new neo-liberal settlement” (Clarke and Newman, 2012: 300), it seems that the financial markets have successfully passed the buck of being responsible for the crisis to the “debt states” who now, turning into “consolidation states” (Streeck, 2013), themselves are emphasizing the effectiveness of their austerity packages in order to reassure investors and rebuild confidence.

Thus, even though the crisis was triggered in the FIRE (Finance, Insurance, Real Estate) economy in 2007/2008, the public sector and the welfare states have become the central arena for crisis struggles. A metamorphosis of the crisis could be observed from finance, insurance and the banking sector via a crisis of the production industries to a sovereign debt crisis. The ‘euro’ crisis followed and with it a social and political crisis of the European Union (EU) (Natali and Vanhercke, 2013).

Since in the end, it is the state, the citizens and in particular the public sector employees who bear the costs for bank bailouts, economic downturns and recovery programmes as well as the long-term consequences of the sovereign debt, the question arises in what way labour relations actors, particularly in the public sector, are responding to the crisis and the measures taken in their respective country. Where trade unions and employers are both confronted with the challenge of balancing crisis-related restraints with their own interests on the one hand and the necessity to sustain service provision despite budgetary reductions on the other, particularly in the crisis-ridden countries, the common ground for social partnership and integrative bargaining seems to dwindle as the conflict of interests is deepening. Not least, depending on the severity of the respective austerity regimes, responses seem to range from social pacts to fierce rejections of austerity impositions accompanied by political and industrial strikes and demonstrations (Molina and Miguélez, 2013). However, partially fostered by EU policy, several governments

disregard social dialogue and collective bargaining in favour of unilateral implementation of austerity measures. Considering the weakened role of public sector trade unions and, in some countries, the considerable curtailment of collective bargaining institutions (ETUI, 2013; European Commission, 2013; Glassner, 2010; Trif, 2013) it might be appropriate to add 'crisis of labour relations' as another form of the crisis.

2. Research questions

The main objective of our paper is to search for plausible explanations of country-specific variants of how the crisis has impacted the public sector, its governance, employment conditions and labour relations. The effects of austerity measures on the development of the public sector labour relations in the aftermath of the recent crisis are addressed through comparative observations in four European countries: Germany, Spain, Sweden and the United Kingdom.

Our principal hypothesis is that when comparing the four country cases, we will not find merely converging or diverging developments in public sector labour relations, but interrelated processes. Such interactions are expected to take place at three levels: global, European and national, and we assume different economic, political and institutional factors will become crucial for explaining similarities and dissimilarities.

For the purpose of examining public sector labour relations, we look at the contextual framework in which they take place. The reasons for this approach are threefold. Firstly, the developments in the public sector and its labour relations are necessarily embedded in a broader view of societal and economic consequences of the crisis. Country interconnections do not seem to only occur in the sovereign debt and public expenditure realms. Therefore this could lead to complementary interpretations of country differences beyond mere functional necessities which stem from the financial crisis.

Secondly, given the recent transformations experienced in the public sector, and assuming both the changing nature of the crisis, which exceeds the described metamorphosis in length and depth, and existing pronounced geographical diversity, it becomes essential to both consider a period of time longer than the recent crisis and compare several countries.

Thirdly, we will ask how useful theoretically grounded schemes are in providing tools for interpreting variations across selected countries. Varieties of capitalism approaches (Hall and Soskice, 2001) might contribute to the understanding of different shaping institutional spheres within labour relations. From a Regulation theory perspective (Aglietta, 1979; Koch, 2006; Lipietz, 1988), economic activities are based on a network of contradictory social relations which inevitably go along with an occurrence of crisis. This happens when, after a period of a stabilized reproduction (a regime of accumulation), internal contradictions escalate and institutions through which the system keeps differing social interests under control (a mode of regulation) become dysfunctional. Such an approach promises to become useful for the analysis of a longer lasting crisis and a societal view on economic developments. Given actual relevant differences also within countries, we refer to

the concept of capitalist diversity (Crouch, 2005), an approach with a focus on governance modes which also permits a perspective on the public sector taken by itself and not only as a function of the private sector.

Bearing those premises in mind, we will address the following four consecutive research questions from more generally to more specifically targeted ones:

- (1) How has the crisis affected the general societal and economic development of the four European countries included in our study?
- (2) How has the crisis influenced industrial relations in these countries, and what role do industrial relations play in the context of the crisis?
- (3) What impact does the crisis have on the development of the state and the public sector and what influence has the specific variety of state and public sector on the development of the crisis?
- (4) How has the crisis in these countries influenced the development of labour relations in the public sector and what influence do public sector labour relations have on handling the crisis?

Possible explanations of the differences in the developments of public sector labour relations between the four countries are expected to come neither from the sovereign debt constellation nor the orientation of their economies (finance-driven versus export-driven ones) alone. The dimension of each public sector also appears as a non-key factor to elucidate variety. We expect that neither economic necessity nor path dependency or political will alone can sufficiently explain the comparative outcomes.

Our paper relies on an ongoing research project of the Research Institute for Work, Technology, and Culture (F.A.T.K.) at the University of Tübingen (Germany) funded by the Hans-Böckler-Foundation. The project is based on a comparison of the four mentioned countries' developments of public sector labour relations seeking possible explanations of similarities and dissimilarities. These countries differ concerning the consequences of the financial and sovereign debt crisis, they stand for different models of capitalism as well as public sector types, and two of the four countries are members of the Euro-zone whereas the other two are not. The project is empirically based on interviews with public sector officials and trade unionists at different levels on the one side and on analyses of statistics and documents on the other side. Because the project is not finished yet, our paper presents a mix of first findings and open questions.

3. Four country cases: Spain, the United Kingdom, Sweden, and Germany

3.1. Spain

3.1.1. General societal and economic development

After the economic crisis of the early 1990s, in which the Spanish labour market already seemed to be more volatile than that of any other EU country, from the late 1990s Spain went through a golden decade of economic revitalization with robust GDP growth rates above the EU average, and increasing pro capita income. During

that period the national budget displayed some surpluses, employment creation reached record levels (contributing almost one-third of total EU employment growth), and average wage increases moved along with inflation. The Spanish growth path appeared to be well on the road to closing the prosperity gap and catching up with northern Europe's most advanced economies (Molina and Miguélez, 2013; Witte, 2012).

When the world late-2000s financial crisis was followed by a European sovereign debt crisis, this had a particularly strong impact on the Spanish economy, which was revealed to be a giant with feet of clay. Some structural imbalances (trade deficit, stagnant productivity and private sector debt accumulation) together with the bursting of the construction bubble and its close connection with financial sector assets generated the exhaustion of the productive model (Cuerpo and Pontuch, 2013; Neal and Garcia-Iglesias, 2012; OECD, 2010; Sanz de Miguel, 2013; van Heteren, 2012). Countercyclical Keynesian measures were first implemented but the continuation of the recession and pressures from the European Central Bank and the international financial markets resulted in a shift of the economic policy by mid-2010 (Muñoz de Bustillo and Antón, 2013). An internal devaluation strategy aiming at fiscal consolidation to reduce public deficit led to austerity measures which were forcefully reinforced by the Troika in return for financial assistance for bank recapitalization in 2012.

The consequences of this new path are budget deficit, national debt (93.9% of GDP in 2013; European Commission, 2014) and remaining unprecedented unemployment rate (25.93% in April 2014)¹ as well as the worsening of working conditions (temporary work, low quality jobs and lower paid contracts; Ruesga Benito et al., 2013). Social spending cuts have generated alarming growth in both average income inequality and the risk of poverty² (ETUI, 2014), which challenge social cohesion.

According to Godino and Molina (2011), both the strong dependency of families on extra-resources provided by credit from 1998 to 2007 – corresponding to the notion of privatized Keynesianism³ (Crouch, 2008) – and the hybrid character of the Spanish economy under the Varieties of Capitalism approach (Hall and Soskice, 2001) could partially explain the impediments in practice for achieving sustainable high growth rates.

¹ EPA: quarterly survey of the labour market, carried out by the Spanish Statistical Office (INE).

² In 2012, 27.3% of the Spanish population was considered to be at risk of poverty or social exclusion (AROPE indicator), according to the definition adopted for the Europe 2020 strategy (INE, 2013). The Gini coefficient was 0.35% in 2012, one of the highest in the EU, showing a relevant increase since 2008 (Eurostat).

³ The privatized form implies a shift to extensive private debt among low- and medium- income people, as distinct to original Keynesianism in which governments took on debt to stimulate the economy. "Instead of the government borrowing money to fund equal access to decent housing, or the formation of marketable work skills, it was now individual citizens who, under a debt regime of extreme generosity, were allowed, and sometimes compelled, to take out loans at their own risk with which to pay for their education or their advancement to a less destitute urban neighbourhood" (Streeck, 2011: 17).

3.1.2. General development of labour relations

The union map in Spain remains practically unchanged with the two most representative unions sharing unity of action: the Trade Union Confederation of Workers' Commissions (Confederación Sindical de Comisiones Obreras, CC.OO.) and the General Workers' Confederation (Unión General de Trabajadores, UGT). The two unions account for more than 70% of the representatives at the national level, according to the results in the elections at the workplace for workers' delegates and working committees. Similarly, trade union density has continued to be stable since the end of the 1990s (15% in 2011; Sanz de Miguel, 2013). Regarding employer organizations (no data available on density), the two main organizations are the Spanish Confederation of Employers' Organizations (Confederación Española de Organizaciones Empresariales, CEOE) and the Spanish Confederation of Small and Medium-Sized Enterprises (Confederación Española de la Pequeña y Mediana Empresa, CEPYME); both participate in *social dialogue* at national level.

The structure of collective bargaining was also kept constant for more than a decade before the crisis of 2008. Then the government and the above mentioned social partners jointly committed to take action in favour of Spanish economic recuperation but the lack of a final agreement in 2009 and increasing external pressures led the Socialist government to unilaterally pass a labour market reform in 2010, which was met by the unions with a call for a general strike. However, a tripartite agreement on 'Social and Economic Agreement for Growth, Employment and Guaranteed Pensions' was signed in February 2011. After the conservative Popular Party took office in November 2011 a broad set of austerity measures had a remarkable negative impact on industrial relations and tripartite *social dialogue* with a noticeable increase in the number of work disputes as well as street demonstrations to oppose the social spending cuts (Molina and Miguélez, 2013; Sanz de Miguel, 2013).

An inflection point in industrial relations came in 2012 when a new labour legislation reform was unilaterally enacted by the government in response to the European Memorandum of Understanding on Financial-Sector Policy Conditionality (European Commission, 2012). The new fundamental changes in labour market regulation focused on two main aspects: more power in the hands of employers and a decentralization process. The first one allegedly aimed at internal flexibility, for instance, by giving the employer the prerogative to change job tasks, location and timetables without the consent of works councils, or the reduction of compensation for dismissals, which can now take place without any administrative permission. Companies are also allowed to opt out from collective bargaining or to modify wages on the grounds of technical or organizational reasons. The second one included the decentralization of collective bargaining from multi-employer agreements to the priority of company-level ones, restrictions for the extension of expired collective agreements, and wider possibilities for company agreements by non-union groups of employees. In addition, modifications of the national wage-setting and freezes of national minimum wages were also implemented.

The medium-term implications of the European pressures for this kind of deregulation, which has been already condemned by ILO as contrary to international labour conventions (European Trade Union Confederation, 2014), could be a radical

alteration of employment protection and workers representation in spite of the unions' opposition in a country with a long tradition of well-established and highly institutionalized bargaining structures which supported vital *social dialogue* as a distinctive feature of the Spanish system of industrial relations. Giving preference to company-level bargaining in detriment of multi-employer collective agreements could diminish the setting of common standards. Only by strengthening employee representation and participation within companies could the new regulatory framework be developed without diminishing the socio-economic role of the bargaining mechanisms (Navarro Nieto, 2012). Far from stereotyped visions of the so-called 'Mediterranean model' of capitalism and of labour relations, a plausible scenario for Southern Europe could be that of "convergence towards social standards of Central Eastern Europe, with much weaker social partners, a more decentralized labour market, high levels of emigration, but on-going state interference and large areas of informality" (Meardi, 2012: 18).

3.1.3 Public sector developments

Spain is characterized by a multilevel governance system with three main administrative levels. The first one is the central state, which congregates some exclusive, legislative and basic competences, and is responsible for the provision of certain public goods (encompassing justice, defence and in part, security forces) as well as social spending (primarily pensions and unemployment benefits). The second governance tier forms a unique territorial framework of 17 regional governments (autonomous communities) in a highly decentralized political system. Administrative key areas such as health, education, as well as some welfare policies and social assistance are provided by the regional governments, which account for around 36% of total public spending (OECD, 2011). Finally, the local level comprises 50 provinces, in charge of public services of supra-municipal character, and 8,116 municipalities which administer essential local public goods (such as water supply, street lighting or garbage collection), besides an assorted list of services and facilities, which expands in the case of larger municipalities.

In comparative terms, the size of the public sector regarding employment is smaller than in most EU countries⁴, in correspondence with a late development of the welfare state. In fact, "public employment played a minor role in the employment growth experienced in Spain in the decade prior to the crisis: from the second quarter of 1996 to the second quarter of 2008, public employment rose by 31 per cent, whereas the number of people employed in the private sector increased by more than 65 per cent" (Muñoz de Bustillo and Antón, 2013: 512).

The profound transformation of the state structures in the Spanish transition to democracy continued through later reforms, which until the early 1990s mainly focused on the development of the regional self-governments and the basic

⁴ According to OECD (2011) the share of Spanish employment by the government is below the OECD average of 15% and remained fairly stable from 2000 to 2008. Additional sources confirmed that Southern European countries have a lighter public sector in terms of the share of public sector employment in relation to total employment, although "data based on a classification of activities can only serve as a proxy and not an exact measurement of the public sector" (European Commission, 2013: 93).

regulation of local municipalities.⁵ This was followed by a modernization process aimed at the improvement of the relation between the public administration and the citizens, increasingly considered as consumers or users of public services, in line with the New Public Management (NPM) approach. Inspired by that administrative philosophy, the modernization programmes⁶ sought for improvements in terms of quality, efficiency and effectiveness, incorporating organizational related mechanisms such as management by objectives. The implementation of those kinds of policies, however, has been considered limited in real terms among Southern European countries with a Napoleonic administrative tradition⁷ (Alba and Navarro, 2011). In spite of that, at the Spanish micro-level (where the administrative tradition is less influential) there are some examples of experimentation and managerial innovation with good performance results⁸ (Ongaro, 2008). Following historical institutionalism, in those contexts of established institutional patterns, modest transformations that are more gradual in their effects can better promote administrative modernization (Kickert, 2011).

In the 1990s there was also a privatization process of, on the one hand, a large number of state-owned companies to eliminate some legal monopolies (telecommunications, television, air transport, cigarettes) and, on the other hand, the provision of some public services, which resulted in the application of private management techniques. Nevertheless, in comparison to other OECD countries, Spain used outsourcing to a lesser extent and relied more on public employees in the production process.⁹ In the recession periods of the 1990s, austerity measures were already carried out through public spending constraints, which affected hiring, internal management policies and wages (Jodar et al., 1999).

From the mid-2000s onwards a second decentralization¹⁰ took place with the assumption of new competences in some areas such as education and health by all regional governments. At the same time, ambitious modernization strategies¹¹ were developed to set up more adaptable and efficient organizational structures.

⁵ Ley 7/1985 Reguladora de las Bases del Régimen Local.

⁶ 1992 Modernization Plan for the State Administration.

⁷ Southern European countries share some inherited traits concerning the public administration which come from a historically based set of values, structures and relations within society (Ongaro, 2009). The common elements that characterize the so-called 'Southern Model' include: "1. A deeply rooted vision of the state having to be organically constructed with society rather than being a utilitarian liberal covenant; 2. A law that continues to give support and meaning to the administrative culture (for example, the statute of the public employees, accountability, the 'rules of the game', education and training programmes); 3. A blurring of the dividing line between politics and administration" (Alba and Navarro, 2011: 799).

⁸ Micro-level innovation was identified in three public agencies: Tax Agency, the National Institute for Social Security, and the General Direction of the Public Registry. The type of tasks performed, the existence of external pressures, institutional features and leadership became determinant for that success.

⁹ "Outsourcing represents about 39% of the costs of producing public goods and services in Spain, compared with 43% on average in the OECD area" (OECD, 2011: 1).

¹⁰ A vast process of reforming the regional Statutes of Autonomy was carried out in Spain from 2004 to 2007.

¹¹ In 2005 the Spanish government approved the National Reform Programme based on the Lisbon Strategy.

Evaluation tools of public services were also put into practice,¹² and the incorporation of new technologies inside public administration led to the implementation of e-government.

As a result of the ongoing 2008 economic crisis and the exogenous pressures, the Spanish government has been dealing with the subsequent budgetary constraints and the difficulties of lower revenues and higher public debt primarily through austerity-driven reforms and cut back measures in the public sector (Alonso and Clifton, 2013). As a consequence of the fiscal consolidation process, regions have implemented contracted fiscal policies since 2010, which implies that some public services like health, education or social protection have been seriously affected,¹³ experiencing “a significant drop in budget resources, an increase in private management and delivery, and a move away from universal coverage” (Molina and Miguélez, 2013: 1). Some recent governmental initiatives, such as the Law of Rationalization and Sustainability of the Local Administration (approved in December 2013), or the Committee for the Reform of the Public Administrations (CORA),¹⁴ are considered essential by the employer side (interviews to both current and former administrators), while trade unions perceived them as mainly intended to reduce costs by the elimination of public employments, and at expenses of public services to citizens (interviews to trade unions’ representatives).

3.1.4 Public sector labour relations

There are two main categories of public employees in Spain: civil servants and non-civil service employees. The status of the former is regulated by administrative law, whereas employment law is applied to the latter who only can hold certain posts. Most recruitment in the public sector follows transparent standardized procedures and competitive examinations. The incidence of temporary workers (around a quarter of public employees has fixed-term contracts) reaches one of the highest levels of the EU-27. Part-time working in the public sector (12% in 2011) is, however, much lower than in the rest of European countries (European Commission, 2013). Likewise, the weight of the whole of public employment is relatively low in comparative terms: only an average of 9.37% of the total potentially active population were public employees between 2000 and 2008¹⁵ (Navarro and Tur, 2009).

In contrast to the private sector, public employment involves a higher presence of older workers (over 55 years old) and women (a female share of around 60%). It also displays a lower gender wage gap and better working-time conditions. Since around 21% of total female employment takes place in the public sector (compared to 15% in the case of men), both the non-renewal of temporary contracts and the overall downsizing of public employment not only affect more women than men, but

¹² Performance assessment became compulsory for every administration in the 2007 Basic Statute of Public Employees.

¹³ Cuts of 10% or more were imposed in those areas between 2010 and 2012.

¹⁴ It promotes changes in regulation, reduction or elimination of bodies or units, organizational and functioning reshaping, as well as modifications to public employment and human capital management.

¹⁵ In Germany that average value was equal to 10.94%, 14.55% in the UK and 21.14% in Sweden (data from ILO and Eurostat).

are also likely to result in greater earnings differentials by gender (Muñoz de Bustillo and Antón, 2013). In that sense, it is worth noticing that some standards reached in the public sector (in fields such as work–life balance, health insurance or pensions) usually acted as a positive reference for a further extension to the private sector.

Strong evidence on the socio-economic impact of those cross-sector interconnections also advises against aggressive policies of reducing the number of public employees in the midst of a recession because of the co-moving pattern they present and the subsequent potential increase in private unemployment (Lamo et al., 2014). In spite of that, the main line of action after the 2008 crisis has been directed to restraints on the public sector workforce through a decline in direct hiring (which was cut almost by half from 2008 to 2011, and followed by no new recruitments in 2012),¹⁶ together with a decrease from 2010 in the replacement rate to only 10% of vacancies, mostly produced by retirements, covered by new employees, which was not even guaranteed in practice.

The annual global pay increase, which is applied to all public employees, is established by the General State Budgetary Law. There is therefore a central control of wage setting (except for the variable portion of pay), as well as in working conditions and performance assessment, in addition to a tradition of collective bargaining in the public sector. Public wages did not contribute to the recent economic crisis.¹⁷ Nevertheless, the crisis exacerbated the pressures (as part of the arrangements concluded with the Troika or IMF) to reform public sector pay and employment practices in EU countries, and was sometimes used as a mere pretext to introduce austerity measures (Grimshaw et al., 2012; Schulten and Müller, 2013). In the Spanish public sector, pay cuts (–5% in 2010), freezes (in 2011 and 2012) and other complementary measures (the 14th monthly salary¹⁸ was abolished in 2012) have bypassed established bargaining procedures and have been imposed by unilateral state decision, which have future negative implications for collective bargaining standards (Glassner, 2010). This situation also caused a sharp fall in the public sector wage premium (from a 17% in 2009 to 7% in 2011, reducing the gap by 60%) (European Commission, 2013).

With the crisis the working conditions of public employees have also broadly deteriorated. A wide range of new policies included, for instance, the extension of the working week for all public employees from 35 to 37.5 hours without any corresponding pay increase, or the enlargement of uncompensated contract hours for teachers (both in 2012). Pension entitlements (public administration contributions of 0.3% of all wages to employees' complementary pension funds) were unilaterally

¹⁶ Public employment in the central state has been decreasing since 2009 (Intervención General de la Administración del Estado 2014). There was a reduction of 18,000 employments in the public administration in 2010 (European Commission, 2013). From 2010 to 2013 the total number of public employees dropped 4% (109,091 lost positions), with a prominent reduction at the local level (7.94%; Ministerio de Hacienda y Administraciones Públicas. Registro Central de Personal).

¹⁷ “According to data from the National Statistics Institute and the Bank of Spain, for most of the decade before the crisis, public wages experienced a negative evolution in real terms (a decrease of 7% between 1996 and 2003) or were stagnant (from 2004 to 2006), with a 1.1% increase in 2009” (Muñoz de Bustillo and Antón 2013: 523).

¹⁸ The annual salary is divided into 14 payments, one for each month and two extra ones (which take place in June and December respectively). The last one was abolished for 2011.

eliminated in December 2011. Other social benefits previously enjoyed such as sick leave conditions or the days that can be freely used by public employees¹⁹ clearly worsened too.

The highest body for bargaining among state administration and the most representative trade unions²⁰ is the General Public Administration Commission, whose agreements affect all nationwide public employees and administrations. It is therefore unitary along with a progressive tendency to bring closer bargaining scopes and dynamics between civil servants and non-civil service employees in the last decade (Alós and Urbano, 2003). *Social dialogue* has played no role in fiscal adjustment and public spending cuts since collective bargaining processes and tripartite agreements have been suspended or sidelined. As a consequence, the number of strikes and demonstrations in defence of public services sharply increased. Such general deterioration in the public sector's institutionalized labour relations may have a negative impact on the quality of public services as well as in terms of social equality. Furthermore, lack of consideration of the revenue side of public finances and those extensive effects, endanger a sustainable and social recovery in Europe. Trade unions have not only opposed that set-back situation but they have also tried to find new grounds for future agreements in a mix of resistance, resignation and unenthusiastic scepticism.

3.2. United Kingdom

3.2.1 General societal and economic development

With the election of the Conservative Party with Margaret Thatcher as prime minister in 1979, the 'post-war consensus' (Pimlott et al., 1989) and Keynesian economic policy came to an end (Lee, 1996: 234). This marked an ideological turn towards economic liberalism, emphasizing the need for more competition and free enterprise. Consequently, the Thatcher government, claiming that 'there is no alternative', pursued a strict monetarist path. The inflation rate, which had peaked at 24% in 1975 was more than halved and further reduced in the following years (O'Donoghue and Goulding, 2004; *The Guardian*, 2014). Public sector debt decreased from more than 50% in the late 1970s to a low of 26% at the end of the 1990s (ONS, 2013). However, this was achieved at the cost of falling aggregate demand, lower economic growth and, subsequently, rapidly rising unemployment.

When Tony Blair was elected in 1997, New Labour chose a 'third way' rather than restoring the social model that prevailed during the period of 'post-war consensus' and "sought to graft elements of social support and social investment onto the free-market policies of the previous Conservative governments" (Grimshaw and Rubery, 2012: 106). Expenditures on education, labour market policy, welfare and families

¹⁹ In the early 1980s the state could not assume an increase of public wages following the increase of the inflation rate, therefore trade unions and public employers agreed that public employees obtained some additional days off instead.

²⁰ CC.OO. and UGT, with a share above 10% of the total representation, are the most representative ones at the state level. The Independent Trade Union and of Public Servants (CSI-F) reached 10% of the representatives of some specific functional or territorial areas. Basque Workers Solidarity (ELA) and Galician Inter Trade Union confederation (CIG) got above 15% of the representation in the regional governments.

were increased despite the pursuit of a low tax policy. New Labour's engagement in the Private Finance Initiative (PFI), a scheme to motivate private capital to invest in public infrastructure in so-called Public-Private Partnerships (PPPs), and 'activating' labour market policies providing incentives for benefit claimants to go back to work might be regarded as an attempt "to square the circle of neoliberalism with a human face" (Grimshaw and Rubery, 2012: 107).

Due to the major role of the financial sector, the housing boom and growing private indebtedness, the UK was severely hit by the financial crisis of 2007/2008. After more than a decade of sustained economic growth, this "brought the beginning of a deep and protracted fall in output. The economy contracted more than at any time since the depression of the 1930s with five consecutive quarters of negative growth"(van Wanrooy et al., 2011: 3). Yet despite the slump in real GDP by 6.3% in the beginning of the recession and GDP's comparatively low level ever since, employment has not declined accordingly as in previous recessions but remained at an unexpected high level. The employment rate dropped solely by about 2% during the crisis and is almost back to the pre-crisis level as of April 2014, while the unemployment rate has fallen from well above 8% in 2011 to 6.6% in 2014 (ONS, 2014b).

As with other European countries, the UK government engaged in a costly bailout of banks in order to stabilize the British banking system. Cash outlay and the provision of stimulus to counteract the subsequent economic downward trend resulted in a sharp increase of national debt. Labour's policies to tackle the crisis came in a Keynesian guise, as VAT was reduced, spending in education and health significantly increased (HM Treasury, 2009) and an increase in corporation tax deferred. However, distributional effects considerably changed, when in 2010 the Conservative–Liberal Democrat coalition took office and started to pursue a strict course of austerity and embarked on a project of "intensified neoliberal policy" (Grimshaw and Rubery, 2012: 105). Accomplishing fiscal consolidation, David Cameron pointed out in his speech to the Lord Mayor's banquet, "means building a leaner, more efficient state. We need to do more with less. Not just now, but permanently" (Cabinet Office and Prime Minister's Office, 2013).

3.2.2 General development of labour relations

Before the crisis, the unemployment rate had been below 6% and average real wages grew since the mid-1990s. Increase of inequality was curbed by the National Minimum Wage at "the lower end of distribution" and the gender pay gap had been narrowing (Bovill, 2014: 2; van Wanrooy et al., 2011). Most of these favourable trends have – at least temporarily – been reversed in the wake of the financial and economic crisis.

The crisis triggered or accelerated developments that may affect the long-term development of productivity such as the decline of productive industries (e.g. manufacturing), the misallocation of resources to the financial market and the inability of crisis-affected banks to provide lending to companies, and a reduction of the economy's innovative and productive capacity as a result of retrenchment (e.g. cuts or delays in investment, training, etc.; Patterson, 2012). Moreover, between 2008 and 2012 the 'flexibilization' of the labour market including part-time and

temporary work as well as 'underemployment' has further increased.²¹ This can be seen as a short-term solution to temporary crisis-related economic difficulties but, if perpetuated, will lead to a deterioration of working conditions.

The government responded with the 'Plan for Growth' which aims at stimulating the economy through government investments in infrastructure, facilitating access to finance for businesses and encouraging business investments, by cutting corporation tax, expediting deregulation and reviving the housing market through measures like the "Help to Buy" programme. However, while being negligent on the revenue side, austerity and the necessity to face 'hard truths' are emphasized and actions are taken "to drive out further efficiencies and to ensure that welfare remains affordable" (HM Treasury and The Rt Hon George Osborne MP, 2013).

A variety of social policy measures such as child, housing, or education benefits and tax credits were frozen, reduced or abolished (TUC, 2013a). Freezes or cuts in wages were the most frequent response to the recession in private and public sector workplaces (van Wanrooy et al., 2011: 19). From mid-2007 pay has fallen behind inflation and earnings continued to rise slower than prices, "amounting to a cumulative cut in real earnings of 3.5–4 per cent" (Patterson, 2012: 26). Furthermore, the state pension age of women (60 years) will be adjusted to men's (65 years) and then successively increased to 67 (until 2026 to 2028) at a faster pace than determined by previous legislation, and there are plans for a further increase to 69 by the late 2040s (Department for Work and Pensions, 2014). The minimum wage was only slightly increased respectively frozen for one year, and certain programmes for the unemployed were curtailed or abolished. Moreover, rises in social security payments in order to match increases in the cost of living are now determined on the basis of a lower inflation index (Grimshaw and Rubery, 2012).

Media and politicians warned of a 'spring of discontent' that could be ignited by the coalition government's austerity measures. However, this reference to the 'winter of discontent' in 1979 when industrial unrest had culminated seems misleading, considering the relatively low number of working days currently lost by industrial action and the loss of influence and resources trade unions have experienced since their membership had peaked at over 13 million in the late 1970s. Ever since, there has been an incremental decline of trade union membership to about 7.1 million employees in 1995 and about 6.4 million in 2010/11. While in 1980 more than half of the employed were unionized, trade union density has fallen to 25.6% in 2013 (BIS, 2014; Visser, 2006). In terms of gender proportions, the criticism against unions as being 'male, pale and stale' (Gall, 2012: 327) is not entirely valid anymore as more female compared to male employees have been organized in a union since 2002 (BIS, 2014).

The share of workers whose pay is determined by collective bargaining has steeply fallen. Since the beginning of the 1980s the coverage rate has shrunk dramatically from 80% to 30% in 2010 (Visser, 2013). The union wage premium has decreased from 25.9% in 1995 to 16.4% in 2013 (BIS, 2014). The wage share, the percentage

²¹ "Underemployment may be time-related, where individuals are working shorter hours than they want, or it can take the form of people being over-qualified for the jobs they are doing" (Patterson, 2012: 19).

of GDP going to wages, has shrunk from its peak of almost 65% in 1975 to 53.7% in 2011 (Gall, 2012: 330; Lansley and Reed, 2013).

Responding to declining membership rates, trade unions have engaged in several mergers and their number decreased from 306 in 1990 and 226 in 2000 to 180 organizations in 2010. In 2014, there were 54 unions affiliated to the Trades Union Congress (TUC). Unite (a merger of Amicus and the Transport and General Workers' Union, TGWU) and Unison (the largest public sector trade union) are the largest unions under the TUC umbrella. Other unions are specialized in certain occupations such as the National Union of Teachers (NUT) or the Royal College of Nursing (RCN), or organize in particular industries, and few operate only in particular companies (TUC, 2014; Wilson, 2012: 3-4).

On the employers' side, the Confederation of British Industry (CBI) represents individual private sector companies as well as around 150 trade associations. The CBI engages in lobbying and campaigning, but has, like the TUC, no mandate to collective bargaining. Overall, the role of employers' associations moved "from one of negotiating with unions toward advising member employers and dealing with government on their behalf" (Brown, 1981: 40) when since the 1970s a shift from multi-employer to single employer bargaining had taken place. Estimations of employer organization density amount to about 30 to 40% (Wilson, 2012).

Compared to the heyday of industrial disputes in the late 1970s, British unions have moved from militancy towards moderation (Kelly, 1998). This was already induced by the Thatcher governments' legislation which – quite contrary to the voluntarist tradition and the conservatives' proclaimed orientation towards deregulation (Schmidt, 2004: 25) – imposed restrictions on 'collective laissez-faire' and curtailed the scope for strike action. Thus, apart from a weakened position, changed trade union strategies, which bank more on social partnership, might be a reason for the relatively low strike activity in response to the recent crisis. Moreover, there have been other responses such as intensified campaigning, for instance for "a future that works" and "fair pay and the living wage" (TUC, 2013b) and thematizing the prolonged 'living standards crisis'. Organized by trade unions or grassroots movements such as UK Uncut or Occupy London respectively, or in shared action, a number of large-scale strikes and demonstrations focused on wages, redundancies and pensions finally took place in 2011. This was an exceptional year with almost 1.4 million working days lost, most of them in the public sector.

3.2.3 Public sector developments

The UK public sector is divided between central and local government. Central government includes government departments, the treasury, prisons, the National Health Service (NHS) trusts, executive agencies and a variety of public bodies such as the BBC or the Low Pay Commission. The local government administrative structure is not only different in each country of the UK, but there has also been a significant number of restructurings. In the 1990s, single-tier 'unitary authorities' with responsibility for all fields of local government have been introduced in some parts of the UK, whereas other areas kept the two-tier structure of counties and districts. Counties are responsible for the provision of services such as education, transport, and social services, whereas districts cover mainly local tasks such as local planning

or housing. Alongside the governmental bodies, the UK public sector comprises public corporations operating in the financial sector (e.g. banks) and a variety of non-financial corporations, both controlled by central or local government (Grimshaw, 2013: 584-585).

For several decades the general orientation of governments had been the improvement of relations between employers and workers. Employers explicitly supported trade union membership and national collective bargaining and the state aspired to be a 'model employer' (e.g. Carter and Fairbrother, 1999). This was accompanied by an expansion of the public sector into a major area of employment. This attitude changed in the crisis-ridden 1970s and the public sector became the target of expenditure cuts, not least due to the reduction of the budget deficit demanded by the IMF as a precondition for a loan asked for by the Labour government incumbent at the time. When the Conservative government took office in 1979, based on the concept of public choice "with its language of contracts, competition and consumption" and neoliberal ideas, the "rhetoric of the market was invoked against vested producer interests" (Carter and Fairbrother, 1999: 131). Concomitant were NPM approaches promoting the introduction of managerial instruments that were believed to improve the quality and efficiency of public services (Pollitt and Bouckaert, 2011). Apart from decentralization processes, the government thus engaged in far-reaching reorganization through extensive privatizing and marketization, for instance the establishment of "internal markets of independent trusts competing for contracts" in the NHS or local government "forced into the market by compulsory competitive tendering (CCT)" (Carter and Fairbrother, 1999: 133).

The current coalition government further extended outsourcing and privatization. Banks which had been nationalized in the context of the financial crisis were sold off again, and other services were transferred to the private sector, notably English colleges and Royal Mail (NAO, 2014). Claiming to increase individual choice, fairness and accountability, the reform programme also entails the decentralization of power to lower levels. The NHS, education as well as police and prisons have been opened up to competitive tendering and private or, under the banner of "Big Society", community providers. The privatization measures were paralleled by deep spending cuts as the government endeavours to reduce public spending from 47.4% of GDP to the pre-crisis level of about 40% by 2017–18.

3.2.4 Public sector labour relations

Austerity measures particularly targeted public sector employment, wages and pensions. Although it is not the first time governments resort to such cost cutting measures, the actual "scale of reductions in a short time period is unprecedented" (Bach and Stroleny, 2012: 8). More than 900,000 employees have lost their jobs or have been transferred to the private sector from 2010 to 2014. Compared to the peak of 7.4 million public sector employees in 1979 and a share in total employment of about 30%, public sector employment had decreased and levelled out at 19–20%

throughout the 1990s and until the crisis, then went down to 5.4 million (17.7%) in 2014 (ONS, 2014b).²²

Wage restraint has also been unilaterally imposed by government. A two-year pay freeze was implemented sector-wide from 2011 to 2013, except for 28% of all public sector workers who earn £21,000 or less and do not work in local government (Emmerson et al., 2012: 111). The pay freeze was followed by a 1% cap on pay increases for a further two years. As a result, average public sector pay is stagnating in real terms, while nominal wages are still growing “because public sector workers in health, local government and some parts of the civil service are covered by progression arrangements – annual pay increments” (Bach and Stroleny, 2012: 6).

Finally, the coalition government has launched a reform of public service pensions viewed “as an important component of its ambition to ‘deprivilege’ public sector pay and conditions” in relation to the private sector where only 34% of workers are members of a workplace-provided pension compared to 84% in the public sector (Bach and Stroleny, 2012: 7). Among other changes, workers’ contributions will be increased and the pension age will be raised according to the aforementioned State Pension and its timetable. This has a strong impact on women whose current pension age is 60. Since around two-thirds of public sector workers are female, it is probable that women will be particularly affected by cuts in wages and (women’s) public sector jobs or their transfer to the private sector frequently with less favourable terms and conditions. Further scrutiny is needed however, to detect the impact on women depending on the public sector industries in which they work. In combination with the cuts in benefits as noted above, the austerity programme is clearly prone to increase gender as well as social inequality (OECD, 2014; Rubery and Rafferty, 2014).

Public sector unions enjoy a favourable position with an actual union density of 55.4% compared to 14.4% in the private sector and collective bargaining covering more than two-thirds of the public sector compared to 16.6% of the private. However, in the past two decades, both union density and the coverage rate have shown a downward trend (BIS, 2014).

The ongoing privatization processes and the fragmentation of public services have led to a shift of public sector union membership to the private sector. The current austerity measures have further accelerated this development and are criticized as being part of a government strategy to deliberately weaken the still strong public sector trade unions (Grimshaw, 2013). In fact, several trade unions responded to the blurring of the boundaries between public and private sector by changing towards a cross-sector organizing profile and conjoining in mergers. The largest public sector union Unison was formed by a merger of three public sector trade unions in 1993. It has over 1.3 million members, mainly from local government, education and the NHS. The general trade union GMB originated from a series of mergers and covers both public and private sector (mainly manual) workers while UK’s largest merged

²² Employment in public sector corporations has been dramatically cut back from 465,000 to 192,000 within one year (2013–2014), mainly due to privatization. Employment in local government went down by over half a million to around 2.4 million within a time span of four years and in the civil service staff was reduced by about 90,000 to 439,000 in 2013 (ONS, 2014a; ONS, 2014b).

union 'Unite' is clearly focused on the private sector but also covers subcontractors of local authorities and workers in the health sector. With the Local Government Association (LGA) for the employers' side, GMB, Unison, and Unite form the National Joint Council of Local Government Services that determines wage rates and terms and conditions for local government.

The main civil service trade unions are the Public and Commercial Services Union (PCS), representing mainly lower graded staff, Prospect for specialists, managers and scientists, and the First Division Association (FDA) which represents senior civil servants and public service professionals. Prior to the delegation of collective bargaining to individual departments and executive agencies in 1992, these unions (among others) formed the Council of Civil Service Unions (CCSU) which negotiated pay and conditions in the civil service. CCSU was replaced in 2010 by the National Trade Union Committee, a forum where policy is discussed with The Treasury and the Cabinet Office. Moreover, there is the Public Services Forum which brings together trade unions, employers and government as well as other relevant actors. It is not a negotiating body, but a forum where government seeks feedback on its policies. "Although in general formal institutional structures have remained in place, trade unions have much less influence over the formulation and implementation of policy and have mobilised on issues such as pension reform to amend government plans" (Bach and Stroleny, 2012: 9).

The fragmentation of public service employment through the increased use of contracting-out and "the establishment of more independent employers, including civil service agencies, NHS foundation trusts, academy schools and around 45 councils that have opted out of local government national pay bargaining" (Bach, 2011: 12), has undermined public sector collective bargaining at the national and sectoral level and poses a challenge for workplace representation. A further step towards decentralized pay determination was taken in 2010, when the government abolished the 'Two Tier Code', established to ensure the application of public sector bargaining arrangements by private contractors and any new workers. There are incidences of counteracting this trend, for instance in the NHS when newly created trusts informally harmonized pay and thus circumvented competition. For local governments, however, considering the suspension of national bargaining for the wage freeze and "local flexibility in the application of national pay and conditions", it seems likely that the regulatory impact of the national collective agreement will decline (Bach, 2011).

The example of the NHS indicates that there are employers willing to pursue paths alternative to government policies. There are ambitions on the trade unions side to form "a 'grand alliance' not just amongst themselves but with others outside itself where a coalition which unites the providers and users of public services is the foundation stone to the mobilisation of collective resistance" (Gall, 2012: 336). It is still too early to tell, however, whether this will be a way to counteract the continually hollowing out of public sector industrial relations.

3.3. Sweden

3.3.1 General societal and economic development

The global crisis that struck Sweden in the autumn of 2008 led to the deepest recession since the early 1930s, facing both a stock exchange collapse and a dramatic fall in industrial production rates, investments and export. However, the crisis was comparatively short, and it impacted the Swedish economy and labour market less than the strictly national financial crisis in the early 1990s (Hagberg, 2013). That crisis was preceded by a decade of economic problems that occurred in the wake of the Fordist crisis and the oil shocks in the 1970s. As in many other Western countries, it meant the breakdown of the traditional export industries causing high regional unemployment and vast public spending on measures of support. Over the 1970s, though, the public sector expanded significantly, which helped to keep the general unemployment rate at a very low level. Throughout the 1980s, Sweden maintained the traditional social democratic policy of full employment, which was a vital part of the so-called Swedish model, including also a wage policy based on solidarity between workers in different industries, and an active labour market policy in order to promote mobility in the labour market and facilitate retraining (Erixon, 2003).²³

Yet, the economic basis for this political super structure, that is, the strong Swedish basic industries, hardly existed. Instead, a new structural transformation, based on information technology, began to pave its way over the 1980s, which was going to have major consequences for the labour market (Lundh, 2004). Not surprisingly, the main economic policy to promote the export sector – that is, several devaluations of the Swedish Krona in the second half of the 1970s and the first years of the 1980s – turned out to be the wrong way of tackling the problems. Even though the manufacturing industry recovered and the chemical industry expanded, the economic problems remained. The inflation rate was among the highest in Europe in the early 1980s. Thus, it was an unstable socio-economic system that faced conflicts in the political arena as well as in the labour market. As Max Koch (2006: 88f) puts it from a regulation theoretical perspective: “In the 1970s and 1980s, the accumulation regime went into crisis, while the collective actors held on to the full employment-oriented regulatory system”. This structural unbalance paved the way for the deep crisis in early 1990s. But the immediate reason of the crisis was that the Social Democratic government tried to push down the inflation rate by deregulating the credit markets. The banks gave loans to financial institutes, which in turn financed the real estate market, inflating a growing bubble. The economy got overheated and in 1990 the bubble burst (Perbo, 1999).

When a centre-right government came into office in 1991, it immediately left the full-employment policy for a (neo-liberal) low inflation policy. The crisis became a most important argument for the government to force its policy through, as well as for introducing a vast programme for downsizing and privatization of the public sector, including public welfare. Because of the crisis, the unemployment rate rose dramatically up to almost 12%. Even when the crisis was curbed, the rate remained

²³ The aim of this wage policy was to level out wage differences between workers, as well to promote structural rationalization; companies should not survive due to low wages.

around 8%. When the Social Democratic Party returned to power in 1994, it did not restore the full employment policy, and the retrenchment policy continued, albeit at a slower pace.

In 1994, the economy began to recover again; international demand increased, partly due to the new capitalist markets in the former communist states (Blanchard, 1998). The crisis led to diverse new organizational trends with vertical disintegration of company organization, and downscaling of the organizational structure through outsourcing and subcontracting. The ICT revolution was a precondition for this change (Collins, 1990). These lean-infested measures were first and foremost aimed at reinforcing the export industry, but also to increase public sector productivity, imposed after a so-called public inquiry launched by the government in order to prepare for new legislation and undertaken by neo-liberal economists. Although it is doubtful if the productivity really improved, the inquiry fuelled the marketization of public services in Sweden that thus went further than in most EU countries (Flecker and Hermann, 2011; Thörnqvist, 2007).

As mentioned, although the effects for the Swedish stock market and GDP from the 2008 financial crisis were dramatic, the recession was comparatively short. Swedish GDP declined sharply in 2009 (minus 5%), but increased again by 6.6% in 2010, and 3.3% in 2011. Hence the unemployment rate did not increase as much as in many other EU-15 countries. As during the 1990s crisis, the export industries were struck the hardest. Except for the chemical industry, most industries were affected. The crisis had comparatively little impact on the labour intensive private and public service sectors though. This also helps to explain the comparatively moderate increase in the unemployment rate from around 6% before the crisis to 9% in 2009. Over the past few years, the rate has slowly declined (Hagberg, 2013; SCB, 2012).

While several Western countries begun to revitalize Keynesian economic thought during the crisis, the prime goal for the Swedish centre-right government that came into office in 2006 was to pursue a supply-oriented policy and to keep the National Debt low. Thus, Sweden is among the EU countries with the lowest National Debt. However, the private debt level is among the highest, due to low interest rates, tax reliefs – especially for groups with great purchasing power – and the banks' generous credit granting policy.

3.3.2 General development of labour relations

Labour relations in Sweden are historically regarded as highly centralized with strong, nationwide, high-density associations for both employers and employees, covering all sectors of the economy. Further there has been a close relationship between the associations' central and the local levels. Whereas trade unions only bargain directly over remuneration at an industry level in a majority of EU countries, Swedish unions also negotiate wages directly at the shop-floor within the frameworks set by industry-wide and nationwide agreements. It is further a Scandinavian peculiarity to have separate nationwide trade union confederations for blue- and white-collar workers. The Swedish Trade Union Confederation, LO, only organizes blue-collar workers and the Swedish Confederation of Salaried Employees, TCO, salaried employees. Yet, professionals in occupations which

demand university education are mostly organized in the Swedish Confederation of Professional Associations, Saco (Thörnqvist, 2011: 27-28).

The most important counterpart is the Confederation of Swedish Enterprise (Svenskt Näringsliv). There is no exact figure for its organizational density, but most important firms are covered by Svenskt Näringsliv. A complicating factor for collective bargaining is that although the three trade union confederations organize employees in the private as well as in the public sector, this is not the case with the employers' associations. Governmental bodies are represented by the National Agency for Government Employers (Sveriges Arbetsgivarförbund), and employers in municipalities and counties by the Swedish Association of Local Authorities and Regions, SALAR (Sveriges Kommuner och Landsting, SKL).

The still high union density in Sweden is often explained by the Ghent system, that is, an insurance system with union-led unemployment schemes funded mainly by (payroll) taxes but also partly by fees paid by the members of unemployment funds.²⁴ This system brings the trade unions in contact with employees seeking jobs or applying for unemployment benefits (Frege, 2006). This is not the sole reason, though. The combination of strong encompassing central and local organizations has been crucial too; the trade unions have had local activists with good resources for organizing employees even in small plants, supported by a strong central back-up that could put pressure on firms in agreement-related issues such as working hours, health and safety, vocational training, and so on. The extensive organization of salaried employees and professionals is an important reason for the high overall union coverage in Sweden, and another one is that all sectors are fairly well covered, even 'difficult' industries from a union perspective, such as trade and commerce. There is also a higher organizational level among women than in most countries (Kjellberg, 2011).

The overall trade union density was stable at slightly above 80% for several decades. After the 2006 General Election that brought a new centre-right alliance into power, the Swedish trade unions have however been seriously challenged. On the one hand the new prime minister promised that collective bargaining should remain the core of the labour market regime, thus reassuring the unions of their continued role in corporatist regulation of the labour market. But on the other, the new government introduced new legislation regulating unemployment funds that caused the greatest drop in trade union membership in contemporary Swedish history. The new regulation led to an increase of the individual fund member's fee by more than 200%, and as the possibilities for tax reduction were simultaneously abolished, net increase was even higher, for some groups up to 500%. Since the trade unions administer the unemployment funds (the unemployment insurance and union membership fees normally even appear on the same bill) many members saw insurance coverage and union membership as the same expense. Consequently, the overall trade union density declined from 77% in 2006 to 71% in 2008, the biggest loss in such a short period since the General Strike in 1909 (Kjellberg, 2011: 47).

²⁴ Even though the unions administrate the funds, it is fully possible to be a member of an unemployment insurance fund without being a member of the union.

In conclusion, although the Swedish system is still ‘the same’ as before the crisis and before 2006, the trade unions are considerably weakened. This has however not showed much in the last nationwide bargaining rounds, even though there is a tendency for the classical export industries to gain at the expense of private services and the public sector. This, in turn, jeopardizes the closing of the traditional gender income gap.

In 1990, the Swedish private sector employers abandoned all bargaining at a confederate level. Consequently Sweden has followed the international trend towards decentralization of industrial relations. However, as in several other countries with traditionally strong labour relations, the process might be characterized as ‘organized decentralization’ or ‘lean corporatism’. It is further closely linked to trends in economic policy. Traxler and colleagues argue that when the preconditions for classic Keynesianism disappeared due to the stagflation in the 1970s, many countries with strong corporatist traditions still did not immediately take the neo-liberal path. In contrast to neo-liberalism, under lean corporatism, “market forces are so inserted into labour relations that their actors’ sensitivity to monetary signals increases: all forms of coordinated bargaining strongly respond to monetary policy, in stark contrast to uncoordinated bargaining” (Traxler et al., 2001: 300-301). Lean corporatism creates a network-style of labour market governance and Sweden is one of the countries that best fits the description. It should also be mentioned that this trend towards ‘organized decentralization’ not only concerned wage bargaining, but also other issues traditionally handled by the labour market parties, most notably occupational safety and health (Thörnqvist, 2008).

In sum, although Sweden has shifted from a Keynesian demand-side economy to a neo-liberally infested capitalism, the path dependency in industrial relations was so strong that social partnership and collective bargaining remained a cornerstone of industrial relations, despite the frictions between supply-side capitalism and strong collective labour market institutions (Thörnqvist, 2007).

3.3.3 Public sector developments

The public sector in Sweden consists of two sub-sectors: the governmental sector with central public administration and county administrative boards (at the regional level); and the municipal sector, including local governments and regional county councils. There are also governmental, non-profit yet competition-exposed public service companies in both these segments, but they represent a small and diminishing share of the economy. The public social insurance system, military defence, legal system, infrastructure and universities are central parts of the government sector, while the municipalities have the main responsibility for the social welfare services with which citizens are in direct contact. Traditionally, social care, child care and elderly care have been issues handled by local governments, while the main task of county councils has been health care. Regarded as share of GDP, the municipal sector represents around three-quarters of the public sector (SCB, 2014). Since 1991, when a new Local Government Act came into force, the responsibilities of the local governments have further increased as the municipalities have taken over several important tasks from the state and the county councils. In 1992, the responsibility for basic education was moved from the government to the individual municipalities and, in the same year, the municipalities took over the

responsibility for primary health care and elderly health care, as well as the care of those who are disabled.

The long-term development of the public sector can be measured in different ways, for example as the share of employees in this sector. The public sector's share of the workforce decreased from 42% in the early 1990s to 33% in 2012. The main reason is the increasing practice of outsourcing of public activities to external actors, mainly private companies (SCB, 2014). In the light of the increasing costs for the public sector in the 1970s and 1980s, as mentioned, NPM gained ground in Sweden. It was not a matter of chance that the new Local Government Act in 1991 entitled the municipalities to engage profit-making private companies as providers. The process has increased ever since: in the 1990s mainly by outsourcing, but also by the introduction of customer choice models (mainly in schools, child care and in the care of those who are disabled).²⁵ In the 2000s, privatization escalated, particularly after the centre-right alliance government took over in 2006. Among other things, a new law (LOV) was introduced in 2009 to promote the system of customer choice. Today, more than half of the 290 municipalities in Sweden have introduced this system, especially in home-based elderly care (Thörnqvist, 2013).

Formerly public markets, such as mail, telephone and electricity distribution, have also been deregulated and opened up for free-market competition since the early 1990s, such as the Swedish Postal Service (Postverket), the Swedish Telecom (Televerket) and the Employment Services (Arbetsförmedlingen). Moreover, since 2006, several governmental authorities that played an important role in the traditional Swedish Model, such as the Labour Market Board (AMS) and the National Institute for Working Life, have been discontinued, while other agencies have been scaled down and reorganized, for example the Work Environment Authority and the Employment Services (Thörnqvist, 2008). Another important change that illustrates the dismantling of the traditional Swedish model is that the labour market parties and other civic organizations no longer are represented on the boards of the governmental labour market agencies. In 1991, the private-sector employers' confederation, SAF, (later to be Svenskt Näringsliv) unilaterally withdrew from this corporatist representation. The main reason was the implied possibility for collaboration between LO and the Social Democratic Party. According to SAF, the system blurred the border between capital, labour and the state, and SAF felt like a hostage for the implementation of the Social Democratic government's policies (Johansson, 2000). Initiatives to restore the cooperation – for example due to the dramatic increase in work-related sick-leave the years before and after the turn of the millennium – have not been unsuccessful (Thörnqvist, 2008: 16ff).

To conclude, the Swedish public sector was not hit exceptionally hard by the crisis; in fact Sweden managed better than most EU countries (Hagberg, 2013). Yet, this does not mean that working life was prosperous and without frictions for the public sector employees. Because of the ongoing transformation from the early 1990s onwards, the public sector was already 'adapted' to the crisis in 2008. The cut in

²⁵ "Customer choice" in this sense, is a model for exposing the public sector to competition – an alternative to outsourcing. In both cases the activities are tax-financed. In customer choice models, the citizens are allowed to choose between private providers, authorized by the state or the municipalities, or public providers (Le Grand, 2007).

public expenditures was ideology-driven rather than a necessity and tax-financed operations were, also for ideological reasons, run by private tenderers or unbundled incumbents. The Government took a rather sharp stand against the banks and their, in the eyes of the Government, easy-going loan policies. But at the end of the day, the real losers were the employees (Flecker and Hermann, 2011; Thörnqvist, 2007).

3.3.4 Public sector labour relations

While the transformation of the Swedish public sector from the early 1990s onwards is similar to changes in most EU countries, Sweden differs from most of them in one crucial way: the highly corporatist starting point with its strong and well-organized labour market parties (Thörnqvist, 2007). As mentioned above, the employers are represented by two main associations, the National Agency for Government Employers and SALAR. All employers in the public sector are affiliated directly with the confederations and there are no industry or branch associations as in the case of Svenskt Näringsliv. Under the SALAR umbrella, we also find a bargaining cartel called PACTA, which supports many of the new companies that have emerged because of the marketization process (Thörnqvist, 2011: 29-30).

The largest trade union is the Municipal Workers' Union (Kommunal), affiliated to LO and organizing more than half a million employees, which makes it the largest union in Sweden. More than 80% of members are women. The occupational groups belonging to the union range over a great variety of jobs, such as health care and nursing, cleaners, garbage collectors, school janitors, real estate caretakers, meter maids, kindergarten teachers, fire-fighters and many other services. In total, they make up one-eighth of the Swedish labour force (Thörnqvist, 2011: 28-29). The largest public sector union for salaried employees is the Teachers' Union with some 230,000 members in 2013. Also in this case, more than 80% are women.

Workers in the public sector are among those who have the highest union density in Sweden. In 2013, 79% of the workers and 84% of the civil servants were organized, compared to 62% and 67% in the private sector. Moreover, 100% of the employees in the public sector are covered by collective agreements, compared to 85% in the private sector. The rising costs of the unemployment fund membership had comparatively little impact on union density in the public sector (Kjellberg, 2013). In addition, the crisis did not affect the employment rate in the public sector much either (SCB, 2014).

However, the high union density in the public sector does not tell the whole truth. In the current process of privatization and price pressure in public procurements, large groups of workers, who formerly were publicly employed and who still are working in publicly financed activities but under private employers (contractors or other service providers), are often poorly organized. In many cases, especially in small companies in cleaning, elderly care and handicap care, they are not covered by collective agreements (Thörnqvist, 2013).

Another problem is the gender segmented labour market. While the workforce in the government sector consists of 50% women and 50% men, around 80% of the workers in the municipalities and the county councils are women (SCB, 2014). This is due to the fact that care work has traditionally been regarded as female work and

few political measures have been taken to change this norm (Thörnqvist, forthcoming). In absolute figures, the number of women employed in the public and private sectors converged over the 1990s and were at the turn of the new millennium about equal. The convergence was however a result of the unbundling of public business and therefore did not change the basic employment structure (Thörnqvist, 2007: 17-18).

Finally, it should be noted that the 2008 crisis no doubt had an impact on Swedish labour market relations. Most notably, trade unions accepted lower income for their members in both the metal industry and aviation to 'save' Swedish companies. These agreements were however considered only temporary solutions; everything should go back to normal again when the crisis was curbed (Kjellberg, 2011). The public sector did not see any such crisis agreements; as hinted above, many public sector employees feel that the worsening conditions have their roots in a development that started long before 2008.

3.4. Germany

3.4.1. General societal and economic development

In the 1990s Germany was coping with the reunification. Economically this meant that about a third of the country was not merely less productive but also organized in a completely different, "real-socialistic" way.²⁶ Unemployment rates and labour unit costs increased while there was a decline in exports, industrial production and the GDP. In the first years of reunification West German companies had shown a positive development, but the difficulties known as the crisis of Fordism, with which Germany had also been struggling before the reunification, now returned in an even more pronounced way. Although the increase of unit labour costs had stopped in the 1990s, steady economic growth rates experienced during the post-war economic miracle did not return and there was still the widespread perception that wages were too high and competitiveness was at risk. Anglo-Saxon "liberal market economies" were believed to be superior. Neo-liberalism remained hegemonic.

The crisis of financial and real estate markets following 2007/8 was short-lasting in Germany, despite a deep recession in industrial production and GDP, with limited impact on the unemployment rate. As *The Economist* (2013) has put it, "German manufacturers, their workers and unions, with a little help from the government, engineered a compromise that put employees on short time and trimmed their holiday entitlements but saved their jobs. As a result, when Germany pulled out of the recession in 2010 its companies had a skilled workforce in place to meet resurging demand." This "crisis corporatism" was not without conflicts at company level (Schwarz-Kocher, 2014), however, together with Asian demand it helped

²⁶ The GDR was not only characterized by a deficit of democratic freedom and a scarcity of goods but also by different modes of commodity distribution, control of production and monitoring of work. Moreover, the East German industry was hit hard by the break off of their main markets in the Soviet Union and the COMECON. Faced with the early introduced single currency regime of the 'Deutsche Mark' and unmediated competition from the West, East German industries were largely liquidated. Although West German capital was able to make some profit by providing commodities for the new East German market, the reunification turned out to be a financial burden for the state, tax payers and social insurances (Meinhardt and Zwiener, 2005; Zinsmeister, 2009).

Germany to weather the crisis without severe damage. It should not be omitted that in consequence of the recent euro crisis German companies are relieved by low interest rates. Nowadays there is a small growth in GDP, exports are strong again, and unemployment is comparatively low. Fiscal revenues are increasing. The only lasting negative economic consequences seem to be the crisis in the Euro zone and an increased sovereign debt.

3.4.2. General development of labour relations

Although it has been faltering over recent years, the ‘German system of industrial relations’ with strong trade unions, industry-wide multi-employer bargaining, statutory works councils, co-determination and low strike activity can be still regarded as basically intact – at least in parts of the economy. However, union density and collective bargaining coverage rates have declined.

The Schröder government adopted the conviction that reforms towards a more flexible labour market, lower taxes, less bureaucracy and a leaner state were necessary to attain lower unit labour costs and lasting competitiveness. The “Hartz reforms” (Hartz IV 2005) aimed at exerting leverage on the unemployed to return to work. Many economists and politicians regard the reforms as effective to regain economic strength, others dispute this (SVR, 2012: 341). Although the adjusted wage share steeply declined in the aftermath of the reforms (SVR, 2013: Figure 96), it is relatively clear, however, that competition-weighted relative unit labour costs had declined already in the second half of the 1990s (Dustmann et al., 2014: Figure 1), and real wages had increased less than productivity in the 1990s and were slightly negative in the 2000s (SVR, 2013: Figure 97). Although wages are not the only factor for competitiveness – more important in the German case seem to be the quality of products and productivity – it certainly is a crucial one. However, it is not so easy to explain why wages in Germany have grown less than in other countries. In consequence, several narratives do exist.

A first narrative, which at a first glance seems a sufficient explanation, is the weakness of German trade unions.²⁷ Of course, it is true that – similar to unions in many other countries – they are nowadays not as strong as they used to be in the 1970s. Nevertheless, trade union weakness is not sufficient to explain the poor wage development.

A second explanation could be that German trade unions are not militant enough through their own choice, because wage restraint might be seen as a strategy to avoid more problematic evils. Protecting industry multi-employer agreements was doubtless a crucial objective for German trade unions. Over the years several employers had threatened (and sometimes realized) to leave agreements and employers’ associations. This is an effective threat in a context “in which employer organization is more important for bargaining coverage than union membership, (and) higher levels of employer organization might compensate for weak union

²⁷ Union density went down from about 35% in the mid-1980s to about 18% in 2013. Although trade unions are still strong in the core of manufacturing industries, large areas of private services are disconnected from the “German model of industrial relations”. Neither collective agreements nor works councils exist there anymore, and the former “convoy principle” – meaning that the strong industries also set the margins for pay raises for other areas – is not working anymore.

presence” (Thelen, 2014: 52). Maybe German trade unions valued securing collective agreements too highly compared to organizing and mobilizing their members (Frege and Kelly, 2003). A reform of the old Taylorist, blue collar-biased collective agreements towards modernized and harmonized single status systems was considered to be an important precondition for sustainable industrial relations. Because employers insisted that wage harmonization had to be cost-neutral, which would have been impossible without accepting losses for certain groups of workers, temporary wage restraint was a strategic option. However, strengthening competitiveness also played a role. German trade unionists are probably not less ethical than others, but different than under completely decentralized industrial relations (which limit the chance of strategic action, cf. Schmidt and Dworschak 2006) a strategy of wage moderation is feasible.

Thirdly, poor wage development may be caused by the semi-centralized German bargaining system, which traditionally was horizontally coordinated by ‘pattern bargaining’. The latter was already under pressure “due to the economic shock of German unification” (Traxler et al., 2001) and is now virtually non-existent. As far as there are relevant wage differentials between industries, as is the case in Germany, unskilled workers and employees with cross-industry skills are a kind of reserve army for the better paying industries. Moreover, outsourcing and wage arbitrage are widespread strategies of employers.²⁸ However, it is likely that wage effects of semi-decentralized and hybrid systems of industrial relations do heavily depend on supply and demand; that is, in the case of low unemployment rates, inverse pressure on wages may occur for unskilled and cross-industry skilled workers.

Under conditions of segmented employment conditions the introduction of a statutory minimum wage is a useful tool to limit the differences between good and bad conditions. However, because in Germany the spheres of trade union activity are divided according to industries, trade unions in need of minimum wage regulation (in industries such as retail, hotels and so on) are weak while strong unions like IG Metall (metal working industry), who are able to assert higher wages themselves, were initially not really in favour of it. With Ver.di (Vereinte Dienstleistungsgewerkschaft – United Services Trade Union), a general service union (encompassing different unions adhering to the traditional principle of industry-wide activity, private as well as public services) came to existence in 2001 that has both a need for the minimum wage and the strength to set it on the societal agenda. Although it was the Social Democrats who brought minimum wage to the coalition government’s agenda, the restructured trade unionism in the service sector was important to win a societal majority for the claim. Although the foundation of Ver.di was not a consequence of strategy but of a lack of financial resources due to membership losses, in a way the introduction of the minimum wage can be regarded as a first success of a kind of post-Fordist trade union.

²⁸ Accompanying the crisis of Fordism, the “German system of industrial relations” changed to a hybrid constellation with a “heteromorphic coexistence” (Schmierl, 2001: 429), or a dualism of traditional industrial relations and other kinds of employment relations. A completely decentralized system of wage determination without such a gradient of regulation seems to lack these effects on wages, too (Schmidt and Dworschak, 2006).

In the aftermath of the recent crisis, wage development in Germany has changed both absolutely and in comparison with most other European countries. Real wage increases are back again. These increases are justified publicly by the good economic position of Germany, the successful overcoming of the recent crisis, the responsible wage policy of trade unions before the crisis, and the necessity to achieve more balanced development in Europe. It seems as if the crisis was over and employees and trade unions now can reap the fruits of wage restraint.

3.4.3. Public sector developments

The Federal Republic of Germany has three political and administrative levels: the federal level, the level of the states (16 since the reunification) and the municipalities. Public administration traditionally operates as a highly regulated 'Weberian' bureaucracy; however, the development before the recent crisis was characterized by reform efforts aiming at modernization and civic participation, efficiency and economization.

Early reform attempts can be seen as an integral part of a social democratic project to modernize and extend the welfare state, but in the 1980s the context of public sector reform changed. At least in parts, the former societal project of public sector reform became situated in a more neo-liberal agenda. Although the objective of civic participation did not disappear, that of a lean state became hegemonic. Whereas on the one hand processes of outsourcing, privatization, and building PPPs had reduced the scope of the public sector, on the other hand the operation modus of the remaining rest should be adjusted to the private sector as far as possible. A kind of conversion of public sector reform was the result.

Regarding the staff reductions in the 1990s, one should consider that here again the integration of the former GDR is relevant.²⁹ Nevertheless, privatization is the major impact factor on staff reductions; it happened at all three levels of the public sector. Postal services, telecommunication, railways, hospitals and waste disposal are typical examples. However, one should not equate staff reductions in the public sector with a loss of service functions, because large federal establishments like the Deutsche Post and Deutsche Telekom did not disappear but continue to operate as private companies. The cross-sector employment share of "public services, education and health" had increased between 1991 and 2009 from 21% to 25% – in 2013 it is nearly the same (SVR, 2014: ZR024) – although employment increased generally.³⁰

The core of reducing the scope of the public sector is therefore not a complete loss of these services but making more services available for private investment and

²⁹ In Brandenburg, one of the new states, employment in the public sector (state and municipal level) decreased between 1992 and 2009 by 45% (Amt für Statistik Berlin Brandenburg, 2010) despite some staff reductions happened already before 1992 (Keller and Henneberger 1992). During the same period the staff of all German states and municipalities decreased by 31% – East German states included (Statistisches Bundesamt, 2010: Table 8.1.1).

³⁰ The share of gross value added of "public services, education and health" amounts to 18% in 2013 (SVR, 2014: ZR022).

profit.³¹ However, despite the belief in private sector superiority was clearly a part of the hegemonic public discourse, and pressure was applied on the public sector by European law fostering competition (Bosch, 2013; Bosch et al., 2012), the changes were not without limits. Institutionalized traditions underpinned by law, legalized vested interests of bureaucracy, and growing opposition by the trade unions were obstacles to realizing all intended changes. Nevertheless, the German state and the public sector were 'lean' before the financial crisis.

What impact does the recent crisis have on the German public sector? At a first glance virtually none. At a second view positive effects can be detected: low interest rates cheapened sovereign borrowings and the prosperous economy increased fiscal revenue. Indeed the sovereign debt in Germany accounted for about 80% (2010: 82.5%) of GDP in 2013 compared to 65% in 2007 (Statistisches Bundesamt, 2014: Figure 15), but revenues are currently higher than before the crisis. Austerity measures triggered by the recent crisis are lacking. In recent years, there even have been incidences of re-communalization (Libbe, 2013).³² However, in some municipalities the pain limit had been exceeded by austerity measures implemented before the crisis, other municipalities are near to this limit. Nevertheless, at least temporarily the budgetary situation of many municipalities has improved. It is possible, however, that the statutory debt brake will cause additional pressure and require reductions of public expenditure.

The whole picture cannot be overseen, of course, if we solely look at the 2007/8 financial crisis. Since the economic and societal reasons of the financial crises are still present, a return of the manifest crisis in Germany is conceivable. Seeking to achieve economic growth "as in the past two decades by relying on a lax monetary policy and a bloated financial sector, apt any time to produce new bubbles, may at best be risky and could easily become self-destructive when another 'rescue' like that of 2008 would be needed, but by then perhaps impossible" (Streeck, 2013: 161).

3.4.4. Public sector labour relations

Employment relations in the German public sector are characterized by a duality of formally unilateral determination of pay and conditions by the state in the case of civil servants (Beamte) and collectively agreed wages and working conditions for employees (Tarifbeschäftigte).

Concerning the bargaining domain of the public sector, Ver.di is the major trade union. Ver.di is a member of the umbrella organization DGB (Deutscher Gewerkschaftsbund – German Trade Union Federation), and represents the employees' side of public sector labour relations together with some smaller DGB

³¹ This is not without problems: The state loses control and commodification implies a de-collectivized individualized responsibility for paying services. In particular in a context of in Germany markedly increasing inequality, a commercialization of services implies additional bottom-up redistribution and an extension of market insecurity, i.e. vulnerability to crises.

³² Although this does not mean that privatization has definitively ended, it is getting clearly weaker. Further privatizations or PPP are increasingly not a matter of belief anymore but of budget emergency. The budgets of many municipalities are still underfinanced and overindebted (Deutscher Städtetag, 2013).

affiliates: GdP (Gewerkschaft der Polizei – Police Union), GEW (Gewerkschaft Erziehung und Wissenschaft – Union for Education and Science) and the collective bargaining department of the DBB (Deutscher Beamtenbund – German Civil Servants Association; a non-DGB-affiliated union, formerly representing only civil servants). Ver.di results from a merger of several trade unions in 2001 which had operated in public and private services; in addition to the ÖTV (Gewerkschaft Öffentliche Dienste, Transport und Verkehr – Public Services, Transport and Traffic), which was the major trade union for the public sector, the predecessors had operated in postal services, media, retail, banking and insurance. The DAG, one of the now merged unions, had organized non-manual employees also in manufacturing. Whereas Ver.di represents employees at federal, state and municipal levels, the federal state, the states and the municipalities are not members of a unified employers' organization. However, traditionally the 'Bund' as the single employer at federal level, the TdL (Tarifgemeinschaft deutscher Länder – Bargaining Association of German States) representing the state level, and the VKA (Vereinigung der kommunalen Arbeitgeberverbände – Federation of Municipal Employers' Associations) had negotiated jointly.

Since 1961 one major collective agreement for the public sector, BAT (Bundesangestelltentarifvertrag – Federal Agreement for Non-manual Employees), had been in force for all three levels. For blue collar workers one collective agreement for the federal level and the states (MTArb) and another for the municipal level (BMT-G II) had existed. Because together with several minor amendments these collective agreements had led to many inconsistencies and unintended discriminations among the workforce, employers and trade unions agreed on negotiations on a new, harmonized single status agreement for manual and non-manual employees (but not for civil servants). In many respects the actors of public sector labour relations were joining a general trend towards modernizing and giving-up the distinction between manual- and non-manual workers. Similar to the private sector, during the negotiations it had become strikingly clear that the employers' side would agree on a new single status agreement only without additional costs, and when on top of this the states terminated the provisions on working hours in order to extend them, the negotiations got into a crisis. Trade unions refused further negotiations with the TdL and because they had expected that the 2005 national elections would bring the Liberals (FDP) into a coalition with the Christian Democrats (CDU/CSU), which would make it very difficult to agree on any new collective agreement, in 2005 they swiftly agreed with the Bund and VKA on the new TVöD (Tarifvertrag für den öffentlichen Dienst – Collective Agreement for the Public Service). Although in the end this coalition did not come into office until 2009, the TVöD was concluded without the intended centrepiece, new criteria for job evaluation (Entgeltordnung). What is new, however, is that a provision about performance-related pay was introduced, which led to a limited decentralization (Schmidt and Müller, 2013).

Supported by industrial action, in 2006 trade unions and TdL agreed on the TV-L (Tarifvertrag für den öffentlichen Dienst der Länder – Collective Agreement for the Public Service of the States), a separate agreement which is similar to the TVöD. However, differences persist. Although in 2012 the states had abolished performance-related pay and introduced new provisions for job evaluation (only slightly different than the former ones), there is still no agreement on job evaluation

at the municipal level, whereas – despite it not being very effective – the VKA still insists on performance-related pay (Müller and Schmidt, 2013). Moreover, concerning both issues – despite adhering to joint negotiations – some differentiations also appear between Bund and VKA.

Trade unions' intentions to reform collective agreements can be seen as an attempt to cope with the changes resulting from the crisis of Fordism and to adjust labour relations to modernized public services, to overcome discrimination and foster civic participation within a narrative of progress, got tied up with neo-liberal politics of tax and austerity measures. Designed as a project of "integrative bargaining" (Walton and McKersie, 1991) the reform of collective agreements turned out to have distributive effects to the disadvantage of employees. Nevertheless, the attempt to achieve a new collective agreement adjusted to a post-Fordist landscape seems in any case worth the trouble. The development of public sector labour relations was important for the mentioned privatizations. Privatization affects not only the scope of the public sector but in particular those groups which are traditionally trade union affiliated belong to the major strike activists, for instance, waste collectors and bus drivers. This is particularly dangerous for the collective agreement system of the public sector. The formal strength and latent weakness of the German system of industrial relations, a high coverage rate, partially based on employers' commitment to collective agreements, combined with a comparably low union density, exists in the public sector in a pronounced way. As the incidence of an interim period without collective agreement between the old BAT-agreement and the newly agreed TV-L illustrates, in the public sector a severe crisis of collective bargaining could cause a collapse rather than an erosion of collective agreements. Ver.di partially succeeded by mobilizing new groups of employees instead (e.g. nursery nurses) and by launching new issues for collective bargaining like health. The idea of organizing campaigns is established at Ver.di but seems to be still weak in the public sector. Comparably successful in asserting their claims were physicians organized in the Marburger Bund, which in itself combines an organization of professionals and a trade union.

How has the unilateral mode of determining employment conditions for civil servants developed? "For several decades unilateral and bilateral forms of governance have coexisted but, in empirical terms, forms of close interaction have developed over time" (Keller, 2013a: 416); that is, changes in working conditions, in particular pay raises, upon which trade unions and employers had agreed on for employees had also been applied to civil servants. Due to the constitutional "Federalism Reform I", concluded in 2006 (Keller, 2013b), the authority to regulate employment conditions of civil servants shifted from the federal level to the state level. Since that date there has been some deterioration, in particular regarding working hours. Deviations had been directed by some of the states and in consequence salaries and employment conditions differ not only between civil servants and employees but also between civil servants of different states (including civil servants in municipalities whose employment conditions are also determined by the state level). Because privatization affected those parts of the public sector which deployed most civil servants (i.e. schools, police, fire workers, sovereign tasks) less than other parts, despite all achievements of public sector reform and economization, the share of civil servants has been stable and increased in relation to a markedly decreasing share of employees (Schmidt et al., 2011: Figure 3). In a way one can speak of re-

traditionalizing because the welfare state's extensions of the public sectors (which had led to a growing number of employees) are at least partially dismantled whereas the more traditional form of civil service (related with life-long employment and relatively good pensions, even though civil servants are also affected by increased working hours and delayed wage increases) seems to persist. Considering that among other changes, atypical work increasingly exists also in the public sector, neither a linear deterioration of public sector employment conditions nor stability can be stated, but a pronounced segmented development.

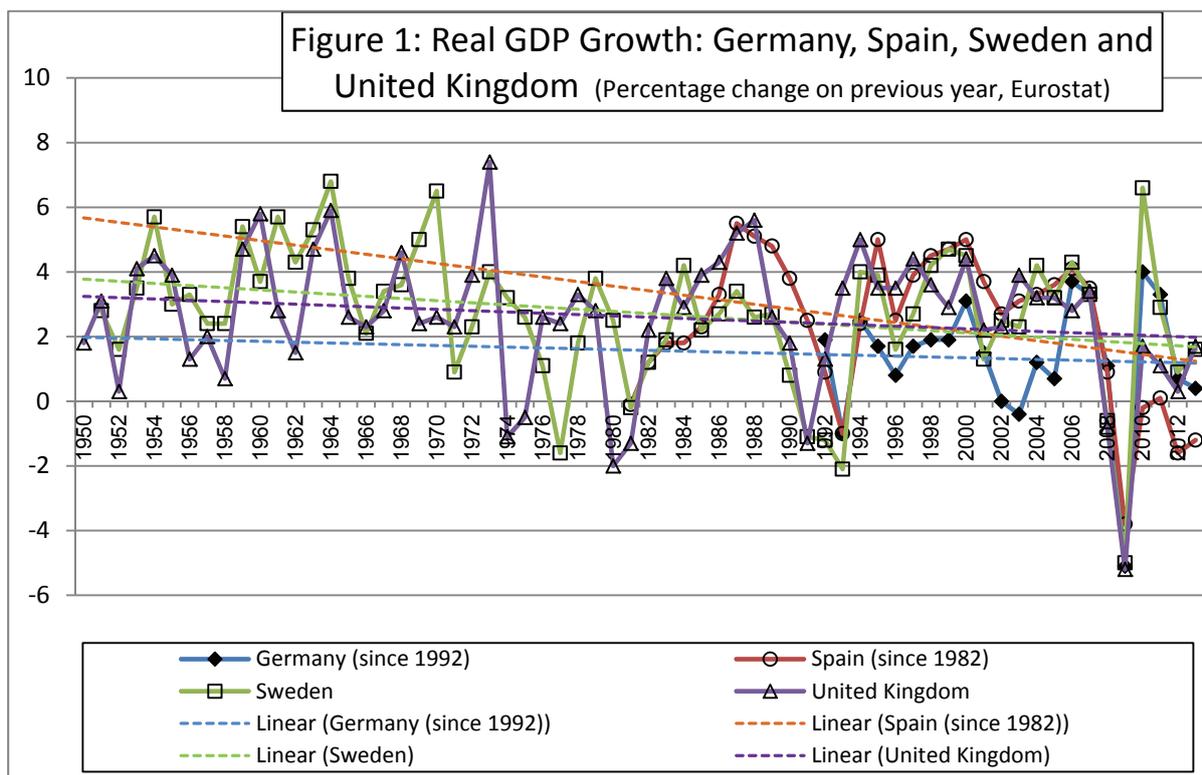
Referring to public sector labour relations we have to ask once more what the consequences of the crisis following 2007/8 are. At a first glance, manifest effects are weak in Germany. Privatization, reform and austerity are more characteristic for the years before the crisis rather than after. Nowadays wages in the public sector are rising again.

4. The four countries in comparison

4.1 General societal and economic development

Although all four countries were hit by the recent crisis, the economic and societal consequences differ markedly; whereas Germany and Sweden despite a deep recession recovered swiftly, the further developments in the UK and in particular in Spain seemed strikingly worse (Figure 1). In 2010 it seemed as if in Sweden and Germany there had been only a conventional cyclical recession. In the UK and in Spain the impression was different. A sustainable recovery is still uncertain (particularly in Spain), but sustained damage resulting from both the crisis as well as the measures to cope with the crisis, seems likely. However, based on the most recent data, the possibility that all four countries will have weak growth or that the post-crisis pattern of low growth in the export- and production-oriented Germany on the one hand and higher growth rates in the other countries on the other hand will return cannot be ruled out.

The more successful mastering of the crisis in Sweden and Germany, and battles against massive austerity measures in Spain and the UK, suggest that a convergent development of all four countries can be excluded, whereas the countries by twos seem to belong to clusters. However, looking at macro-economic data the latter assumption is not very persuasive. It is conspicuous that differences and similarities between each of the four countries are detectable. An important similarity becomes obvious when looking at the long-term development in GDP growth rates in all four countries, which seems to show different patterns before and after the early 1970s. As of 1973 growth rates fell several times below the zero line. Bearing in mind that growth since the 1980s often was related to temporary growth illusions and bubbles it appears to be adequate to speak of a kind of lingering background crisis or at least a tendency of stagnation.



A rather unexpected difference between the countries might be the fact that sovereign debt was relatively high in the UK but low in Spain before the recent crisis, and the highest in Germany. By contrast, private debts were comparably low in Germany in 2007 and decreased further after the crisis, whereas in Sweden private debt was not only the size of that of Spain in 2007, but also further increased during the crisis (Table 1). However, Sweden is the only country with a reduction in general government debt. However, in sum, private and general government debts had developed similarly in Sweden, the UK and Spain. Only Germany deviates from this trend as it shows a comparably low increase in private and public debt.

Table 1: Private and general government gross debt in % of GDP

	Private Debt in % of GDP (1)			General Government Gross Debt in % of GDP (2)			Debt in % of GDP (1) + (2)		
	2007	2012	% Change	2007	2012	% Change	2007	2012	% Change
Germany	123.2	115.3	-6.41	65.2	81.0	24.23	188.4	196.3	4.19
Spain	214.8	214.0	-0.37	36.3	86.0	136.91	251.1	300.0	19.47
Sweden	214.1	254.5	18.87	40.2	38.3	-4.73	254.3	292.8	15.14
UK	189.1	186.9	-1.16	43.7	89.1	103.89	232.8	276.0	18.56

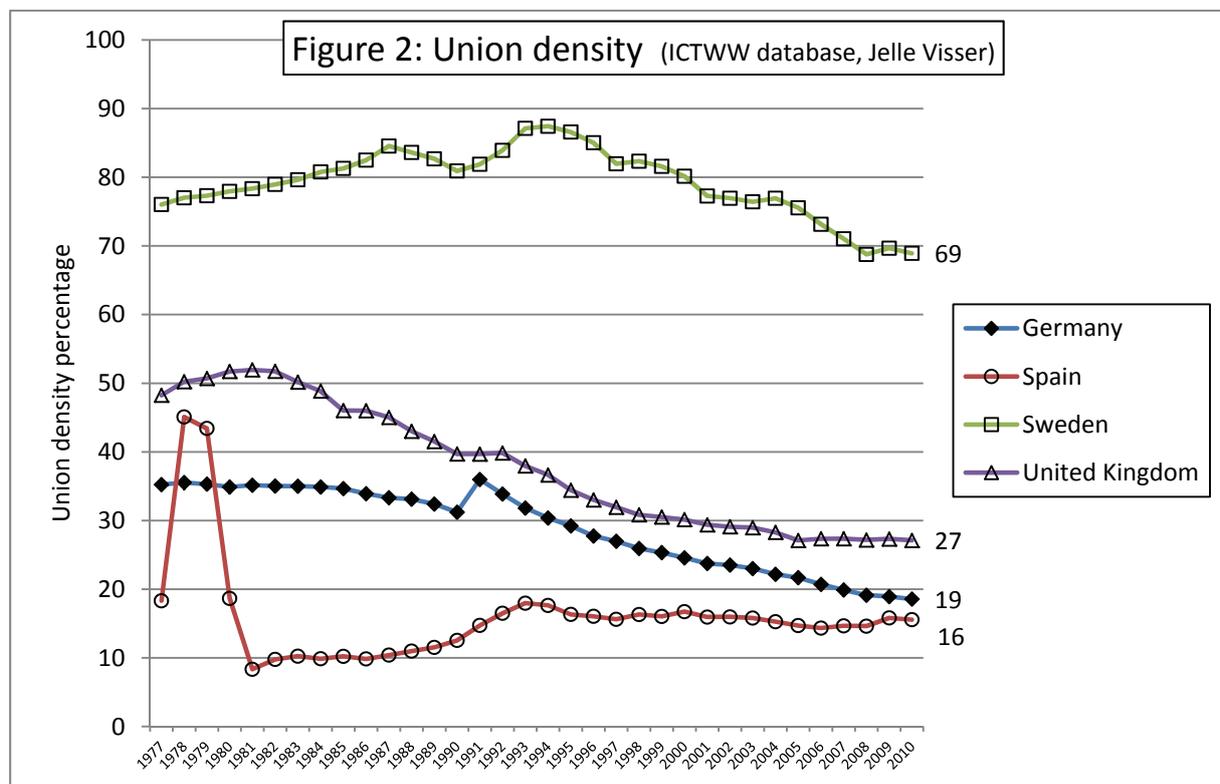
Source: Eurostat, authors' calculations

Whereas Spain and (less pronounced and as it seems only temporarily) the UK shifted from debt-driven consumerism (fuelled by private debt) to an austerity regime, Sweden, which with its strong public sector and high productivity was undoubtedly better prepared to cope with the crisis, now seems to adopt a feature of consumerism or debt-driven 'right wing Keynesianism', which does not foster social

equality. However, whether such impressions which are still not so far away from the recession, really catch more than short-term effects is currently unclear. Already the next national elections may interrupt some developments. Even at the European level a slight correction of austerity policies seems not absolutely impossible.

4.2 General development of labour relations

In the UK since Thatcher, in other countries more or less later, a demise of institutionalized labour relations has been a major tendency. Both trade union density and the collective bargaining coverage rate have decreased. However, there are still enormous quantitative and structural differences between the countries: for instance, union density is much higher in Sweden (partially due to the extraordinarily institutionalized strength of Swedish trade unions), and multi-employer bargaining has nearly ceased in UK's private sector whereas it is – despite a slow, but steady erosion – still important in Germany and much more so in Sweden. In Spain new regulations have a negative impact on collective bargaining coverage.



After a major change in the 1970s during the *Transición* and after a moderate increase until the middle of the 1990s, union density was stable at a low level of about 15% in Spain (Figure 2). At the eve of the recent crisis, union density in Germany and the UK had converged with the Spanish density. Compared to the 1980s and 1990s the differences were less pronounced in 2010 with a density rate in Germany of about 19% and the UK of about 27%. However, the data from the ICTWSS database suggests that in Spain a return to a stable or increasing trade union density is not to be expected. The assumption that resistance against austerity measures will generally lead to an increase in union density seems to be wrong.

Recent national data suggests that the decrease of union density in the UK has not stopped (25.6% in 2013; (BIS, 2014).

In addition, cutbacks in social expenditure and wage cuts or freezes do not generally lead to higher union density; the decrease in union membership cannot be explained by ceasing necessity. On the contrary, trade union density and wage share (Stockhammer, 2013) had both decreased at the same time; that is, a stable class compromise did not induce a drop in union membership, the latter decreased despite or – this seems to be the better explanation – because such a compromise was revoked. Why has union density decreased despite no decrease in the necessity of trade unions for employees? It seems that the answer can be found in a loss of trade union functionality (less impact on pay and conditions as well as on social cohesion), at least in a loss of functionality of a particular form of trade unions, which had developed under circumstances now changed and which we therefore can call 'Fordist trade unions' (Schmidt, 1989).

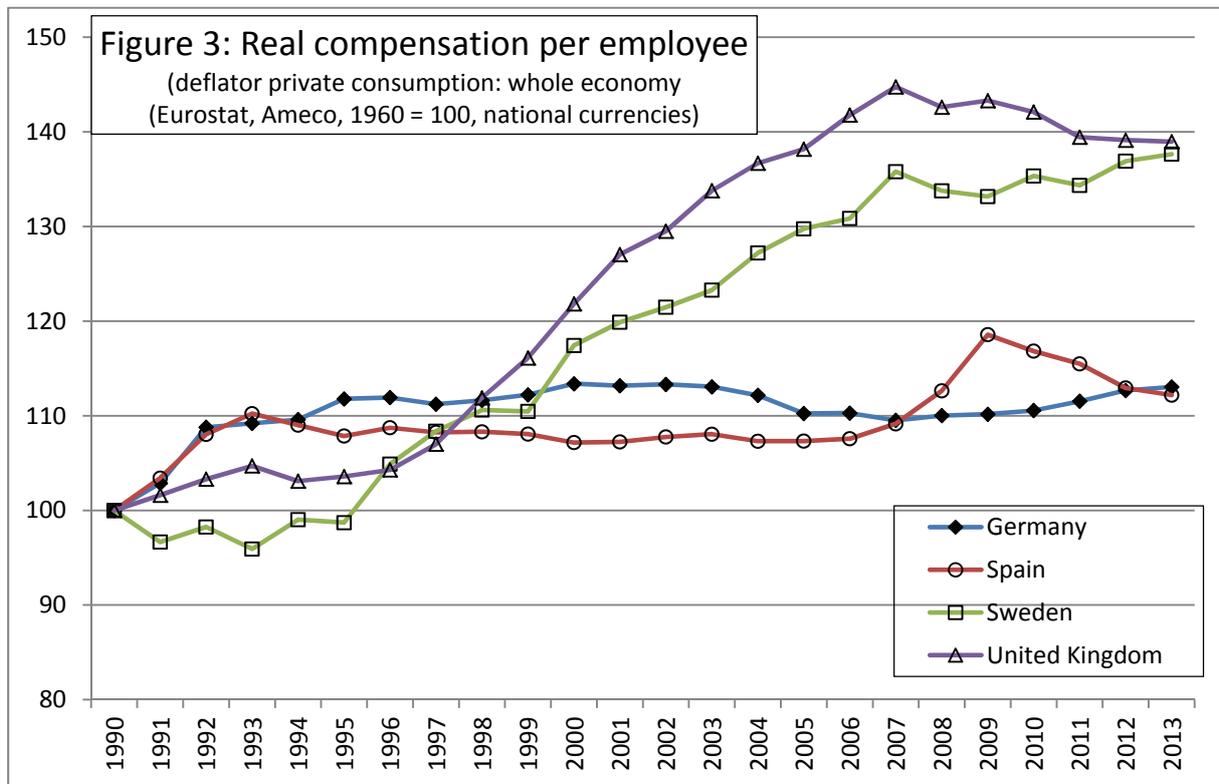
Several structural features (division of labour and mode of production, relative size of sectors, structure of qualifications, labour market borders, gender relations etc.) have changed whereas others are still similar to those in the past. Trade unions are confronted with two difficulties, the first is to keep pace with the changes (i.e., to organize new sectors, to adjust trade union culture to new groups of employees and so on), the second is to cope with more differentiated circumstances (i.e., to take care of a larger number and more different workplaces than before and to address new groups of employees without neglecting the old ones). The decay of a functional regime of accumulation and the trials to develop new fields of profitable investment are the long-term background for a weakening of trade unions. However, the differing consequences of the crisis and governmental austerity policies are stabilizing corporatism in Sweden and Germany on the one hand and are fostering a bit more militancy in Spain and the UK on the other.

Although there is a decrease in union membership in all four countries (despite at different levels), wages develop very differently. In the early 1990s real compensation per employee (Figure 3) increased similarly in Germany and Spain, and to a lesser extent in the UK, but fell in Sweden. In the decade before the recent crisis real compensation per employee grew in Sweden and the UK, whereas there was stagnation in Spain and a decrease in Germany.³³

After the crisis wages had increased slightly in Sweden and Germany, but not in the UK and Spain. Whether the wage increases in Germany will persist is an open question. On the one hand there is the political induced introduction of a national minimum wage, but on the other hand it seems that the demise of trade union density and collective bargaining coverage rate has not come to an end yet. Maybe losses in real wages are stopped now in Germany, but presumably this would at best bring the pay rises closer to the rest of Europe than cause a mirrored development in which wages would increase more in Germany than in other countries. All in all, it is probable that the pattern of debt-driven growth on the one

³³ In the years before the crisis the wage spread among individuals as well as industries grew (e.g. in Germany the wage increases were higher in finance and insurance, IT and manufacturing than in services like education and health, retail, traffic, and hotels; this wage spread is similar to that of other countries).

side and export-oriented development on the other side will return (Schulten, 2014) – and with it, perhaps, small or missing German pay rises.



Although labour relations are very different in the four countries, there is a long-term common tendency of weakening institutions and reduced bargaining outcomes which is part of a major change of economy and society. Although this tendency is a kind of convergence in the long run (with many temporal divergences in detail) it does not result from superiority of Anglo-Saxon capitalism or Liberal Market Economies but from a sustained long-term crisis or stagnation (Vidal, 2014) and the recent crisis of financial markets. The demise of labour relations follows the bad conditions of capitalism after Fordism (Aglietta, 1979; Boyer, 2014; Lipietz, 1988).

4.3 Public sector developments

In Spain and the UK austerity measures are nowadays a crucial feature of public sector development. Cuts in public expenditure and the deterioration of pay and conditions for public sector employees are notorious. However, besides these similarities, neither the reasons nor the consequences for public sector labour relations are identical. Whereas in Spain, as well as in some other countries of the Euro-zone, austerity measures seem to result from pressure of a new European governance regime related with the Euro, the UK government seems to use the crisis in order to voluntarily self-impose a similar way.

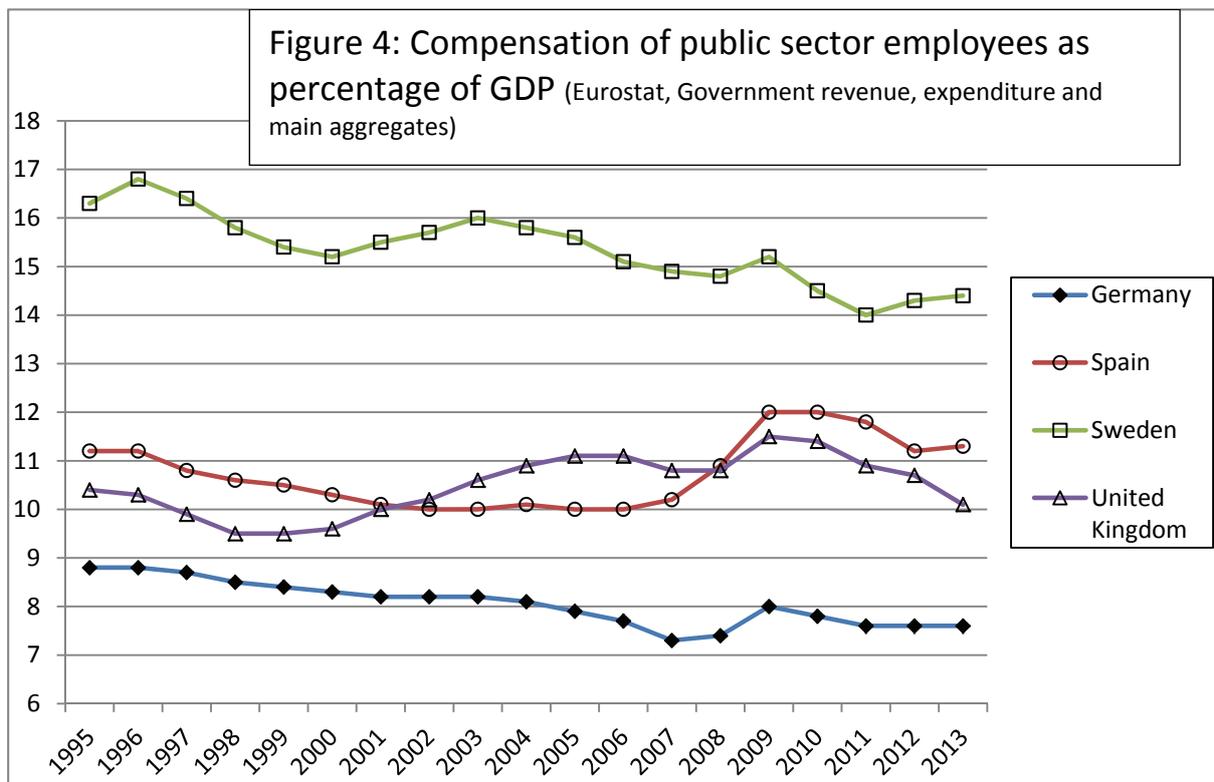
Do austerity and wage cuts in the public sector necessarily result from the scope or the character of the public sector itself? We see no rationale for blaming the public sector for the problems. The smaller public sectors seem to be in Germany and in Spain (European Commission, 2013: Table 3.1), whereas Sweden with the biggest

public sector functions better than Spain and the UK. Wasting tax revenues is not the reason of the problem, because sovereign debt increased due to private indebtedness, the financial crisis and bank bailouts. Therefore understanding the national differences of public sector developments in the context of the recent crisis needs a consideration of the broader economic and societal development. Austerity is not a result of objective economic development (“necessity”) but a result of current policy and wrong economic decisions in the past. To put it pointedly, one could say that the negligence of public infrastructure and increase of social inequality are crucial for setting free additional money and therefore belong to the reasons of the recent crisis. Both private wealth on the one hand and debt on the other hand, and capital in search of investment together with offers of high financial profit are important components of this development (Deutschmann, 2011). Deregulation, privatization, adjustment to the private sector are all following the objective of a “lean state”, a strategy which played a remarkable part to deliver new fields of – often financial – accumulation. Therefore, neo-liberal government policy is of relevance (Crouch, 2014).

4.4 Public sector labour relations

Public sector labour relations before the crisis differ between the countries studied, although public sector labour relations are more similar than industrial relations in the private sector. For instance in case of the UK, concerning collective bargaining coverage rate and union density, the difference between the private and the public sector seems to be more pronounced than the difference between the UK and Sweden as a whole. Taking civil servants into account, who are included in a unilateral system of determining pay and conditions, the differences between private and public sector labour relations in Germany and Spain are also remarkably different compared to the private sector. Only in Sweden is the difference between private and public sector labour relations not very pronounced.

The particular relationship of mutual loyalty in the case of civil servants limits the opportunities of public employers to reduce the compensation of public employees immediately, because labour turnover is low and neither privatization or dismissal nor wage reductions are easy to apply. Therefore it is not very surprising that the compensation of public employees has shrunk in Sweden and the UK (where civil servants are not very important) soon after the crisis had begun, whereas in both Spain and Germany – despite the consequences of the crisis and the significant differences in development of GDP – the compensation of public employees to GDP increased at the beginning of the crisis. In the aftermath this indicator decreased only in Spain and the UK (Figure 4).

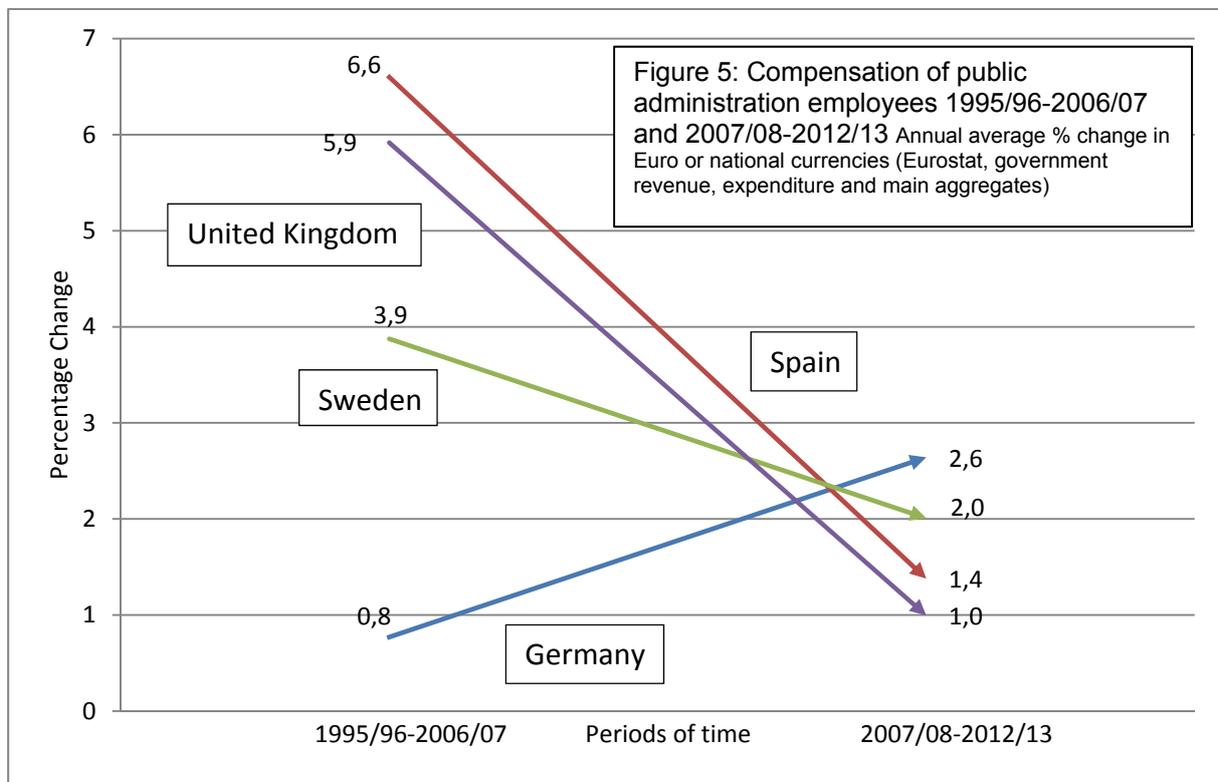


Depending on the criteria and the timeframe we are looking at, we can detect similarities or differences. Whereas the compensation share for public sector employees as percentage of GDP still differs markedly, though not least in consequence of privatizations, Sweden comes closer to Spain and the UK in the long run, increases in compensation for public administration employees after the crisis have narrowed and Germany has switched position with Spain and the UK if we compare the average of annual changes of the years 1995–2007 and 2007–2013 (Figure 5).

Regarding industrial action and resistance against austerity, there are changes in public sector labour relations in Spain and less pronounced changes in the UK due to the crisis in respect of recent austerity policy, whereas changes of public sector labour relations in Sweden (still confronted with privatization by the centre-right government) and Germany (where the Social Democrats since 2013 are part of a grand coalition) cannot be attributed to the recent crisis. However, neither is it clear whether these changes will result in more similarities or divergences, nor is it currently clear whether these developments will persist.

As an element of modelling a neo-liberal Europe the EU had targeted on austerity and a convergence towards decentralized and deinstitutionalized labour relations (Schulten and Müller, 2013), however, whereas some pressure of the EU to converge may persist, it seems possible that the non-intended effects of austerity on economic growth could lead to a policy which is slightly less hostile to the public sector and trade unions. Although one can argue that the current attempts of the EU

to coerce convergence produces divergence effects because non-intended effects prevail, a more moderate and balanced policy could foster convergence more successfully.



Even if the long-term consequences could be devastating, “internal devaluation” has already happened within the southern countries of the Euro zone, and a moderate turning away from austerity cannot be excluded; a reversal of increasing social inequality is unlikely as long as no solution for the long-term stagnation is found. Therefore a recurrence of the financial crisis as well as sustained attacks on both the public sector and labour relations seem highly probable. It is unclear whether trade unions will be able to use austerity as a starting point to forge a broader alliance to turn the tide.

5. Conclusions

Varieties of capitalism approaches (Albert, 1993; Hall and Soskice, 2001) are helpful to explain the incidence of relatively stable national differences. However, relying heavily on institutional complementarity and path dependency seems to be insufficient for an understanding of public sector developments in the aftermath of the crisis, because convergent as well as divergent developments occur. The keyword of “capitalist diversity” (Crouch, 2005) used in some contributions to term internal differences within countries is useful to consider the fact that there is no clear nexus between the scope and character of the public sector and the type of market coordination (i.e. the variant of capitalism). However, neither looking for national differences nor a view on the full empirical diversity alone seems sufficient to explain economic and societal developments.

The varieties of capitalism approach surely merits arguing against the belief in the general superiority of Anglo-Saxon capitalism but did so defending a model of coordinated market economy whose base was already eroding. Meanwhile it should be clear that not only liberalized economies are no effective way out of stagnation, but also that strong path dependency should be a daunting idea for most European countries (maybe still not for some Nordic countries), because it would be a path of sustained stagnation. In retrospect, a narrow understanding of path dependency is confronted with more historical changes than can be explained without problems.

Major historical events like the Spanish transformation or the German unification with important economic and societal consequences require a broad concept of path dependency (in particular for East Germany). In particular the neo-liberal Thatcher revolution illustrates that even the UK cannot be seen as a long-lasting, stable Liberal Market Economy. However, a decomposition of typologies to individual cases which follow their isolated historical development would be of course failing to deliver an explanation too.

The political action of the EU and the economic effects of the European currency are without doubt of relevance to the development of Spain and Germany. The deep recession in the UK and Sweden (in all European countries, and also others, like the USA) and the mentioned stagnating tendency show that there are important simultaneous effects on national economies that separate considerations of single countries would fail to capture.

The crisis of the comparable stable post-war constellation which can be termed as crisis of Fordism, is still not over if we regard a new stable class compromise and a stable and functioning regime of accumulation as an essential condition. In the UK the troubles with Fordism were apparent early on and Margaret Thatcher had appeared as a saviour, who combated for a new age in which everything should be better than before. A path shift was enforced, albeit this change was not without contradictions from the beginning and New Labour made some substantial corrections later. The political actors in some other countries were more reserved; in particular, if the crisis was not so obvious, then gradual forms of change were more important (Streeck and Thelen, 2005).

If we accept that a time of far-reaching loss of institutionalization has happened (whether we call that a “great crisis” or not) and concede that economic, political and societal developments are less path dependent in a crisis than usual but, nevertheless, the economy follows the basic laws of capitalist accumulation, then we should combine institutional analysis with the perspective on transnational developments like the crisis of Fordism, globalization, and the international tendency of “financialization” (i.e. the growth of financial instead of productive investment as an illusionary attempt to find a way out of the crisis). As far as it is accurate that finance biased accumulation cannot be sustainable, the “great crisis” is not over. Austerity measures, public sector retrenchment, and wage cuts are accelerating the increase of inequality which we see not only as unjust but at the core of an economic disproportional development. As long as the “triumph of false ideas” (Lehndorff, 2012) continues, further cuts in public expenditure and wages probably will produce not only more inequality and less social security, but also more pronounced economic disproportions and growth of indebtedness and financialization; further

financial crisis as well as additional sovereign indebtedness and public sector adjustments are to be expected.

At first glance the crisis is fostering a divergent development of the public sectors in the countries considered, however, looking at a longer period, some similarities appear: privatization, austerity measures and downsizing as well as harder working conditions for public sector staff are features of public sector developments in all four countries. The difference seems to be in the date of occurrence rather than in the development itself. Privatization and economization still are dominating in Spain, the UK, but also in Sweden. In Germany the number of civil servants and employees increased slightly after the crisis at the levels of states and municipalities (particularly for nurseries and universities), but Germany is still one of the leanest states. Austerity measures threaten to further damage the functionality of trade unions and labour relations on the one side, but on the other side they also cause resistance. At the moment it is unclear which side of the coin will have the more lasting impact.

Whatever the original reasons for the crisis of the relative stable post-war “golden age” in the North Atlantic industrial region (immanent over-accumulation, profit squeeze, oil shock, crisis of Taylorism and the Fordist mode of production, competition from newer industrial countries, or something else), it seems clear that the end of the former “class compromise”, which was a vital part of the Fordist regime of accumulation, and the achieved supremacy of capital resulted in the growth of inequality. Bottom-up redistribution, once started, became a reason for sustained economic disproportions, observable as stagnation and recurrent crises, for short, the “great crisis”.

On the one hand, a reduction in demand for consumer products is a consequence of increased inequality, and on the other hand, increasing amounts of money searching for investment are therefore emerging. In addition, the dominance of capital, globalization and neoliberal ideology (including the acceptance of a high unemployment rate), enforced falling tax rates and reduced tax revenues, the state cannot compensate this loss of consumer demand (except by debts). In consequence of inequality and redistribution, sufficient new demand could only come from the capital itself or from abroad. However, a compensation of economic disproportions by exports is no generalizable solution for all countries (yet, in the long run it is an illusion, if the underlying demand problem is not solved). Moreover, without new fields for investment in real production or services, only two additional possibilities for profitable investment exist: firstly, financial speculation; and secondly, making profits from additional redistribution, in other words, preying on people or the state (e.g. by PPPs). Whereas the first method leads to the well-known bubbles, more or less pronounced financial crisis and recurrent instability, the second method aggravates inequality itself and contributes therefore to the on-going “great crisis”. Therefore, as Paul Krugman and others have maintained repeatedly during the recent economic crisis, austerity measures cannot contribute to a solution of the crisis, quite the opposite, they exacerbate it. Of course, bypassing the lack in demand by accumulating debts is no sustainable solution, either. When it comes to budget debts though, the crucial point is how these debts are used.

Even a stricter regulation of the financial sector would probably bring no sufficient solution, since this may not, or not alone, redirect investment to the real economy (because there is a lack of demand) but also may fuel investment in the other mentioned channel of current profit-making, in political projects of redistribution and commodifying, for example pensions or health reforms. We see a sustainable solution of the “great crisis” only in a return to more social and economic equality (i.e. wage increases and an expansion of the welfare state). Because a new stable class compromise, that is, a new “mode de régulation”, will certainly be not attainable without a period of stronger class conflict, we expect no early end to the crisis. In any case, it is to be expected that the role of the state and the public sector will remain a contested terrain for years to come.

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